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Allyn A. Young

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BY

MEMBERS OF THE AMERICAN  
ECONOMIC ASSOCIATION

COLLECTED AND EDITED BY  
A SPECIAL COMMITTEE

AUGUST, 1957

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## PREFACE.

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The essays here published relate to colonial fiscal systems so widely different that it has not been found practicable for the writers to follow the same plan. All have, however, tried to keep clearly in mind the relations of colony to mother country and to call attention especially to peculiarities in the systems.

Some of the essays were finished several months ago; others, owing to difficulty in securing material or to other causes, have been lately written.<sup>1</sup> For this reason, and still more from the difficulty in securing material, it will be found that the statistics do not in all cases cover the same time, nor are they all up to date, though it is thought that in no case has any late change in the system been made so material that the conclusions drawn would be particularly affected.

In many instances, probably in most, it has been very difficult, sometimes it has proved impossible, to secure the best material. The colonial statutes and reports, even some of the handbooks, are to be had only from the colonies concerned; and the time required to secure them, as well as the difficulty of getting information regarding their cost, seemed too great to make it wise to order. In such cases the writers have had to depend largely on general handbooks. It is hoped, nevertheless, that the information here gathered may be of real service.

JEREMIAH W. JENKS,  
Chairman.

*Ithaca, June 20, 1900.*

[<sup>1</sup> The essay on Spanish Colonial Policy was not received until the Report of the Committee had been printed.—C. H. H.]



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#### ERRATA.

P. 162, note 2, for "3 Hansard" read "4 Hansard."

P. 175, line 6 from bottom, for "1890-1900" "1899-1900."

exclusively for the sake of the colony and for its development, and not for the advantage of the mother country.

Second. No uniform system of detailed fiscal management for a number of colonies in different parts of the world can be established. Each colony must be considered by itself and its system must be adapted to its conditions.

Third. Each colony should, as far as possible, be made self-supporting; but the mother country may well sustain the colony's credit or make advances to be repaid at a later date.

Fourth. In undeveloped colonies whose inhabitants are not capable of managing important public works such as railways, canals, telegraph systems, etc., these improvements may well be owned by the government and managed by government officials rather than by private companies.

Fifth. The selection of sources of revenue must in each case be determined in accordance with the economic and social conditions of the colony.

Sixth. Where the colony is so situated that the development of trade with foreign countries is the chief economic consideration, import duties should be very low or practically non-existent.

Seventh. In colonies of undeveloped economic resources the chief reliance for general government income should be on a system of internal revenue taxes, with compensatory duties on articles imported, when similar to those subject to internal revenue taxes. Excise duties should be levied primarily on a few articles of general consumption, like alcoholic drinks, opium and rice. When any colony has decided advantages in the production of some specially favored commodities like sugar, tobacco, hemp, etc., it may be desirable to impose

business licenses or similar duties on them. It is even a question whether low export duties on such commodities may not advantageously be employed in exceptional cases, it being assumed that under these circumstances a duty on colonial exports would not be inconsistent with the Constitution of the United States.

Eighth. It is undesirable to utilize an octroi or a system of taxes on consumption for local purposes. Local revenue should, in most cases, be derived in a large measure from real estate, business licenses and kindred specific taxes.

Ninth. Wherever possible, in the administration of fiscal affairs, natives should be utilized as officials. It should be fully understood, however, that in the last resort the desires of the United States Government, expressed by the proper authority, are to be paramount and its decisions final.

Tenth. As long as any of the colonies have not attained modern industrial conditions, it may be advisable to continue as far as possible native customs during the period of transition. For example :

It is quite possible that for some time to come the system of farming out the revenue to contractors, especially to native chiefs, should be retained, under such restrictions as may prove practicable.

Eleventh. For the proper administration of the fiscal system in any of the dependencies of the United States it is absolutely essential to establish a civil service, which is beyond question as respects the ability and honesty of its personnel.

Twelfth. In those dependencies where it is difficult to secure an adequate supply of efficient native labor, the question of the admission of foreign laborers should be seriously considered. While there may be sufficient

justification for the exclusion of Chinese workmen from the United States, it by no means follows that they should be excluded from the Philippines.

JEREMIAH W. JENKS,  
CHARLES S. HAMLIN,  
EDWIN R. A. SELIGMAN,  
ALBERT SHAW.

## THE FRENCH COLONIAL FISCAL SYSTEM.

### *I. History and Present Extent of the Colonies.*

The history of the French colonies begins in the fifteenth and sixteenth centuries when sailors of the crown took possession of lands in the new world and on the African coast. Under Richelieu and Colbert came the period of greatest expansion. In the seventeenth century France owned vast possessions in Canada, in Louisiana, in the Antilles and in Hindoostan. With the peace of Utrecht in 1713 the dismemberment of the colonial empire began; until by the treaty of Paris in 1814 France had been stripped of most of her possessions with the exception of several of the Antilles and of minor settlements in Africa and Asia. Very shortly thereafter, however, a new period of progress set in, starting with the gaining of a foothold in Algiers in 1830, and slowly progressing in other parts of Africa during the next half century. But with the beginning of the eighties a new and more vigorous policy was adopted. More than two-thirds of the present colonial empire has been added to France in the last fifteen or twenty years. The chief acquisitions of these recent decades are Tunis, large tracts in Central Africa, the island of Madagascar and the countries in the neighborhood of Cochin-China and Tonkin.

At present the French dependencies comprise the following:

I. America: (1) French Guiana; (2) Martinique, Guadeloupe and dependencies in the Antilles; (3) Saint Pierre et Miquelon near Newfoundland.

II. North Africa: (1) Algiers; (2) Tunis.

- 2) French Soudan :
- 3) French Coast ; (5) Dahomey and
- French Somali Coast ; (2)
- 3) Reunion ; (4)

French Indochina, Chander-  
 Indo-China ;  
 Annam, d. Tonkin).  
 French Polynesia and New He-  
 bardi and Moorea. b.  
 French islands, d. minor islands .  
 Indo-China, which  
 French dependencies  
 the first, or the col-  
 have a general leg-  
 and the second, often  
 the colonies, with a  
 organization.

- following ; Martinique,
- Guinea, Senegal and
- Miquelon (1885) ;
- the rest of French
- Comoro, (1896).
- Congo (1887),
- Sierra Leone (1893) ; Ivory
- Coast (1896) ;

as a part of France.  
 sends representa-  
 subject in its dif-  
 at Paris. Tunis,  
 of the Minis-  
 organization.

ter of Foreign Affairs, as does also Madagascar. All the other colonies and dependencies are under the control of the Minister of Colonies. Indo-China was formed in 1887; but in 1888 it was decided that for fiscal purposes Cochin-China, Cambodia and the protectorate of Annam-Tonkin should be kept separate. In Indo-China many of the expenses which in the other colonies are borne by the home government are defrayed by the colony itself. Not only this, but a large part of the revenues of this colony go to the home government in the shape of a "contingent," to be discussed below.

## II. *Development of the Fiscal Policy.*

Before the Revolution the French colonies were managed, very much as those of other nations, in accordance with the ideas of the Mercantile System. The colonies were supposed to exist for the sake of the mother country alone, and in their commercial and fiscal relations with the home government the interests of the colonists were made entirely subordinate to those of the mother country. In the nineteenth century, however, there have been several changes of policy. Beginning in 1825 we have the period of so-called autonomy, in which a large measure of self-government was granted to the colonies in fiscal as well as other matters. In 1841 there was initiated the second period, that of so-called assimilation, in which a far more rigorous dependence upon the home government in fiscal matters was insisted on. This lasted, however, only a short time; for 1854 witnessed the inception of the third period which has continued, with one important exception, to the present time,—the period of modified autonomy, in which a somewhat greater degree of independence was given to the colonies. The exception referred to is

due to a change in the year 1892, by which the privilege of imposing independent tariffs was again taken from the colonies. Apart from this, most of the colonies are still regulated by the law of 1854, modified in some respects by the law of 1866, which forms the basis of the French fiscal colonial system. As has already been stated, however, Algiers occupies a position by itself and Indo-China possesses a fiscal system which differs in some details from those of the other colonies. Unless there is an express statement to the contrary, therefore, the general references in the following discussion apply to all the colonies with the exception of Algiers and Indo-China.

In general the fiscal relation of the colonies to the home government is one of partial autonomy. As a consequence of this lack of complete autonomy, there has been developed a curious and somewhat confusing arrangement. The expenses and receipts of the colonies are divided into two budgets, the one constituting a part of the budget of the home government, the other forming a separate colonial budget.

### III. *The French Budget of the Colonies.*

The home government is responsible for a number of expenses, the most important of which are those for the army and navy, for the salaries of the civil, judicial and religious officers, for the penal institutions and for the so-called common expenses, which include the salary of the colonial minister and his office, as well as of the colonial inspectors. These expenses may be classed under two main heads: the expenses of sovereignty, and the subventions accorded to the separate colonies to aid them in defraying their local expenses. In 1898 the expenses for which the home government thus made itself

responsible amounted to over 91 million francs. In addition to this large sum France also makes considerable grants in the shape of shipping subsidies (and to a minor extent, cable subsidies) to the lines having relations with the colonies. These grants which amounted in 1898 to 23½ million francs are also included in the budget of the colonies which forms a part of the home budget. Thus the total expenses chargeable to the colonies, but paid by the home government, amounted in 1898 to over 116 million francs. The details of these expenses are given in Table A on pages 35 and 36.

Against these expenses which appear in the French budget proper ought to be put the receipts from the colonies which go to swell the income of the mother country and appear in its budget. These receipts are of four kinds : first, the so-called "contingents" imposed on the colonies ; second, the India rent ; third, the deductions from salaries for civil pensions ; fourth, the sale of state property and the proceeds of prison labor. The "contingents" comprise a number of small contributions, supposed to be paid by the various colonies. The purposes for which the contingents are paid are fixed by the law of 1866 which, it is to be noted, applies only to the three so-called ancient colonies, Guadeloupe, Martinique and Reunion ; but the principles of the law of 1866 have been extended to the other colonies by subsequent legislation, especially in the eighties. Although the contingents are in general insignificant, the reverse is true of Cochin-China. In the budget of 1898 the total contingents amounted to 5,839,000 francs, of which Cochin-China alone was responsible for 4,510,000 francs. The remainder was distributed in small amounts among the other colonies. The above figures comprise not only the colonial contingents, so-called, as defined by the law

of 1866, and its successors, but also the additional colonial "contributions" as fixed by the arrangement of 1893. In theory the "contingents" are supposed to be a payment on the part of the colonies in return for the expenses of sovereignty defrayed by the mother country and chargeable to the general French budget. On the other hand the so-called "contributions" are supposed to be payments toward the general expenses of the home government, whether these expenses have been incurred for colonial purposes or not. As a matter of fact, however, most of these contributions go toward defraying the expenses of certain institutions in Paris which have been created for colonial purposes. The contributions themselves are insignificant, amounting to less than half a million francs, as against the contingents of more than five million francs. Thus the sums raised in the colonies by both contingents and contributions are in fact spent for purposes which redound to the interests of the colonies themselves. Much dissatisfaction, however, is expressed with the system; Cochin-China in especial seems to be severely treated, for not only do more than four-fifths of the contingents come from that colony, but it has to defray out of its own resources most of the expenses which in the other colonies are chargeable to the subventions granted by the home government.

The other items in the receipts mentioned above may be dismissed with a few words. The India rent is a sum of 668,000 francs which has been paid since 1818 by England in return for the abandonment by the French of the salt monopoly in India. The deduction from the salaries of the colonial administrators for pension purposes explains itself. The miscellaneous receipts from the sale of property and the proceeds of prison labor

amounted in 1898 to about a million francs. Table C (page 37) gives the complete list of receipts as contained in the French budget of 1898; Table B, on the same page, gives the "contributions" in detail. If we deduct the receipts from the expenditures, it would appear that the colonies cost France in 1898 over one hundred and eight million francs. This, however, does not include the sums due to the increased expenditure of the home administration which are properly chargeable to the existence of the colonies. To differentiate these, however, would be impracticable.

In addition to this list of expenses and revenues contained in the French budget proper we have now to note the separate colonial budgets themselves.

#### IV. *The Colonial Budgets.*

It may be said in general that the colonies in fixing their own budgets have a large measure of autonomy, modified, however, in some important particulars. On the side of expenses, for instance, there are certain so-called obligatory expenses for which each colony is compelled to provide in its own budget. On the revenue side the colonies have a free hand, except that since 1892 they have lost the right of fixing the rate of the tariff duties. This power is now reserved to the home government. The colonial budget itself is discussed and fixed by the General Council in all the colonies where that institution exists. It must then be submitted to the Colonial Governor who represents the home government. The powers of the governor, however, are carefully defined by the law of 1866. If the budget balances and if all the obligatory expenses have been provided for, the governor cannot modify the budget in any way; his consent is therefore in such

cases a simple formality. If, however, there is a deficit, or if no adequate appropriation has been made for the obligatory expenses, the governor may intervene. The same holds true of the so-called supplementary credits, where intervention by the governor is also permissible.

Coming now to a consideration of both sides of the budget, we may say a word first as to the expenditures.

#### *V. The Colonial Expenditures.*

The most marked characteristic of colonial expenditures is their division into obligatory and optional expenditures. This division was clearly brought out by the law of 1866, which fixed the obligatory expenses for the three old colonies of Martinique, Guadeloupe and Reunion. The law declared the obligatory expenditures to be eleven in number: first, the payment of the debt; second, the maintenance of the government buildings and of the assistants connected with the governor's residence; third, the maintenance of the buildings for judicial and religious purposes; fourth, the rent and maintenance of the governor's private residence; fifth, the building and clerks of the governor's secretary; sixth, a part of the maintenance and salaries for public instruction, police, insane and poor children; seventh, the housing of the policemen; eighth, the return of immigrants; ninth, the cost of the publication of finance accounts; tenth, the contingent imposed on the colony; eleventh, certain unforeseen expenses. The laws of 1882 and 1885 extended this list to most of the other colonies. As we have already intimated, however, the obligatory expenses in the case of Cochin-China are considerably more numerous. All the colonies are compelled to provide for these obligatory expenditures in their budgets, and

where they amount to large sums, as in Cochin-China, the discontent is very marked.

In contradistinction to the obligatory expenditures are the optional and extraordinary expenditures which may be fixed at pleasure by each colony separately.

#### VI. *The Colonial Revenues.*

The colonial revenues are derived from four sources: first, taxation proper; second, tariff duties (which in France are put in a class by themselves); third, income from colonial property; and fourth, subventions from the home government.

The system of taxation is supposed to be based largely on that of the mother country. Indeed, the colonial tax systems resemble those of the mother country primarily in the fact that by far the greater part of the revenue comes from indirect taxation. But so far as direct taxes are concerned the colonies differ in many respects not only from the mother country, but also from each other. This is due of course to the influence of local conditions and of the varying degrees of economic and social development. Table D (page 38) gives a comprehensive survey of the sources of revenue in each colony. From this table it will be seen that what is common to almost all the colonies is the poll tax, the business tax, the export and import duties, the tax on spirituous liquors, and the stamp tax.

The direct taxes of the mother country, as is well known, are of four kinds. They comprise the land tax, the "personal and movables" tax (being a combination of a poll tax with a tax on rentals), the door and window tax, and the business tax. Of these four taxes, that on doors and windows is entirely lacking in the colonies; the "personal and movables" tax has gener-

ally shrunk to a poll tax; while the land tax and the business taxes are assessed on very different principles from those observed at home. The land tax is found, with a few exceptions, in most of the colonies, but in several it applies only to land on which houses are built, thus becoming virtually a house tax. On the other hand, even where the land tax proper exists, it is not levied, as in France, on the annual revenue, but, as in all primitive land taxes, it is assessed on the area or gross produce. In some cases it even takes the shape of a definite rate on different classes of land. In Tunis and Algiers, moreover, the original Arab land taxes are still in force, and in Algiers no real estate tax at all is levied on Frenchmen. In but one case, that of Reunion, is the tax assessed on property value, and even there it is applied only to houses, the rate being  $\frac{36}{1000}$  of one per cent. In the Antilles sugar lands are exempt from the land tax which is there replaced by an export duty on sugar. A similar principle applies to salt lands in New Caledonia, India and Cochin-China.

Of more fiscal importance than the land tax is the poll tax which, as is well known, has all but disappeared in most modern countries. The poll tax is not found in the Antilles, in the newer African possessions, or in Guinea. In most of these it has been replaced by a tax on rentals. But in the older African and more especially the newer Asiatic possessions the poll tax still forms an important part of the revenue.

The business tax is modelled quite largely upon the French "patente" which at home is composed of a so-called *droit fixe* and a *droit proportionnel*. In the colonies, however, it is generally either the one or the other. Practically it is a kind of business license. It is found in almost all of the colonies, although it is of

significance chiefly in the so-called old colonies. In addition to these direct taxes we find almost everywhere the so-called tax for the verification of weights and measures, which is in reality nothing but a fee, and which has been rendered necessary by the extension of the decimal system to the colonies. While the poll, land and business taxes are common to many of the colonies, we also find a few isolated taxes, which are levied in only a single colony, or at most in two or three colonies. Such are the carriage tax in Reunion and India; the boat tax in Cochin-China, Annam and Tonkin; the tax on mine rents in Guinea and especially in New Caledonia; and finally a kind of income tax from intangible personalty in Martinique and Guadeloupe. This latter tax is, however, for local purposes only.

In treating of the direct taxes, a word must be said finally about Algiers. Although Algiers, as has already been stated, is treated to a certain extent as a part of France itself, in dealing with fiscal as well as with general administrative principles a line is drawn between the French citizens proper and the bulk of the native Arab population. In the case of the native population with its entirely different social and economic basis, the revenue system, is, as might be expected, completely different. The so-called Arabian taxes to which the native population is still subject are four in number: the *Hockor*, the *Achour*, the *Zekkat* and the *Lezma*. The *Hockor* is a tax on the lands still held in common, for in Algiers, as in all primitive countries, private property in land is an institution of slow growth. The *Achour* is a tax on the gross produce based mainly on the number of ploughs. It is still largely paid in kind. The *Zekkat* is a tax on the cattle owned by the nomadic population, while the *Lezma* is in some cases a tax on

palm trees and in others a graduated poll tax. In Tunis also the native taxes are still levied.

Of greater fiscal significance than the direct taxes are the indirect taxes. Here, as in France, the stamp duties play a great role. They are found everywhere except in St. Pierre, and include a large variety of transactions. A still greater revenue is afforded by the tax on spirituous liquors, which is levied in almost every colony. Tobacco is not a state monopoly as in France, but is subject to an excise duty in a number of the colonies. In addition to these imposts we find isolated taxes on oil, on fats, on matches and on playing cards. Indirect taxes on commodities that do not exist in France are the following: on salt fish in Guadeloupe, on native gold in Guinea, on India rubber in Senegal, on rice in Cochin-China, on petroleum in St. Pierre, on dynamite in Senegal. Opium forms a colonial monopoly in Cochin-China and in Oceanica, and is taxed in Guinea and New Caledonia. Salt is everywhere exempt from taxation except in French India where it forms a colonial monopoly.

Scarcely less important than the taxes on liquors and tobacco are the tariff duties. These are levied on both exports and imports, and, as has been stated above, are now fixed by the home government, not by the colonies themselves. The export duties are ordinarily confined to a few important articles. Thus in Martinique we find export duties on sugar and molasses, in Reunion on the so-called colonial goods (sugar, spices, etc.), in Cochin-China on rice, in Oceanica on mother-of-pearl. The import duties are in general those of the French tariff itself with a few concessions in the interests of the colonies. In several cases particular commodities are absolutely prohibited in order to protect colonial

products. This is true of sugar in Martinique and Indo-China, of rum and molasses in Reunion and of opium in Indo-China and Mayotte.

Although the home government is invested with the duty of fixing the tariff for all the colonies, the colonial councils have the right of pointing out to the home government the modifications which are desirable for each special colony. A few such changes have been made, chiefly in the direction of lower duties or complete exemption; but the deviations from the general French tariff are insignificant. There are only two colonies without tariff duties, namely, Obock and the towns of French India.

In addition to the general tariff duties, tonnage, navigation and harbor dues are to be found in almost every colony.

The purely local and municipal expenses are defrayed to a large extent by the *octroi de mer*. This is a tax on all kinds of commodities, especially articles of food coming in by water. It takes the place of the local octroi in the mother country. The *octroi de mer*, however, cannot be fixed independently by the colonies; they have indeed the right of formulating the tentative scheme, but their decision must obtain the approval of the Council of State in Paris not only as to the tax itself but also in respect to the methods of administration.

Of the remaining revenues, in addition to those derived from taxation and tariff duties, the third class comprises the income from colonial property. The most important element in this is the revenue from the postal and telegraph system, which is everywhere a government monopoly. The fourth and final category of colonial revenues is composed of the conventions or subsidies

from the home government which have been considered above.

#### VII. *Conclusion.*

From this slight summary it will be seen that the French government wavers between two lines of policy. On the one hand the movement toward local autonomy has granted the colonies substantial rights of fixing their own sources of revenue and expenditure in accordance with the dictates of local expediency. On the other hand the movement toward centralization or so-called assimilation has taken away from the colonies the privilege of levying their own tariffs and has imposed upon many of the dependencies a system of taxation more suitable to the interests of the mother country than to those of the colonies themselves; has declared certain of the colonial expenditures obligatory; and finally has complicated the relations between the colonies and the home government by a series of subventions on the one hand and of contingents and contributions on the other. The most recent and enlightened colonial administrators themselves plead not only for a simplification of the relations between the colonies and the home government, but also for a larger share of independence and initiative on the part of the colonies themselves.

EDWIN R. A. SELIGMAN.

## TABLE A.

### Expenditures of France for the Colonies in 1898.

#### I.—EXPENSES OF SOVEREIGNTY AND SUBVENTIONS.

I. DÉPENSES COMMUNES.		FRANCS.
Traitement du ministre et personnel de l'administration centrale .....		695,000
Matériel de l'administration centrale .....		137,000
Frais d'impression, publication de documents et abonnements .....		108,000
Frais de dépêches télégraphiques .....		102,000
Service central des marchés .....		120,000
Service administratif des colonies dans les ports de commerce de la métropole .....		162,500
Inspection des colonies .....		311,000
Secours et subventions .....		44,500
Subventions à diverses compagnies pour les câbles sous-marins .....		707,500
2. DÉPENSES CIVILES.		
Personnel des services civils .....		489,561
Personnel de la justice .....		1,470,000
Personnel des cultes .....		602,000
Service des travaux publics .....		53,000
Matériel des services civils .....		17,100
Frais de voyage par terre et par mer et dépenses accessoires .....		325,000
Exposition permanente des colonies et renseignements commerciaux. Service géographique .....		43,400
Participation à l'Exposition universelle de 1900 .....		2,000
Missions dans les colonies .....		210,000
Bourses coloniales .....		28,000
Études coloniales .....		10,000
Émigration de travailleurs aux colonies .....		75,000
Quatrième des quatorze annuités à payer à des exploitations agricoles pour la mise en valeur d'établissements français .....		360,000
Subvention au budget local du Congo français .....		2,353,000
Subvention au budget local de Madagascar .....		1,800,000
Subvention au service local de certaines colonies .....		765,307
Subvention au budget annexe du chemin de fer et du port de la Réunion .....		2,508,500
Subvention au budget annexe du chemin de fer du Soudan français .....		768,000
Chemin de fer de Dakar à St.-Louis .....		1,270,000



TABLE B.

COLONIAL CONTRIBUTION IN 1898.

	FRANCS.
.....	4,442
.....	109,000
.....	65,032
.....	71,060
.....	67,076
.....	32,435
.....	16,805
.....	3,000
.....	3,600
.....	3,600
.....	3,600
.....	4,530
.....	9,570
.....	7,992
.....	2,410
.....	2,410
.....	11,821
.....	33,619
.....	25,780
.....	300
.....	2,000
.....	<hr/>
.....	469,472

TABLE C.

COLONIAL RECEIPTS.

(Forming a part of the French Budget in 1898.)

	FRANCS.
.....	5,838,972
.....	668,800
.....	859,400
.....	966,400
.....	<hr/>
Total.....	8,333,572

## 3. DÉPENSES MILITAIRES.

Troupes aux colonies et comité technique .....	
Gendarmerie coloniale .....	
Commissariat colonial .....	
Inscription maritime .....	
Comptables coloniaux .....	
Service de santé (personnelle) .....	
Service de santé (matériel) .....	
Vivres et fourrages .....	
Frais de voyage par terre et par mer et dépenses accor	
Matériel de casernement, de campement et de couc	
Matériel des services militaires .....	
Défense des colonies .....	
Frais d'occupation du Soudan français .....	
Route de Konakry au Niger .....	
Dépenses des services militaires et maritimes en A	
au Tonkin .....	
Dépenses militaires à Madagascar .....	

## 4. SERVICE PÉNITENTIAIRE

Administration pénitentiaire (personnelle) .....	
Administration pénitentiaire (hôpitaux, vivres	
ment et couchage) .....	
Administration pénitentiaire (frais de transport	
Administration pénitentiaire (matériel) .....	
Dépenses des exercices périmés non frappés de	
Dépenses des exercices clos .....	
Rappels de dépenses payables sur revues antéri	
Total .....	

## II.—SHIPPING AND CABLE

Subvention au service maritime de New-York	
les primes de vitesse .....	
Subvention au service maritime de l'Indo-Chi.	
Subvention au service maritime de l'Austral	
ville d'Alger .....	
Subvention au service maritime de la	
d'Alger .....	
Subvention au service maritime de la	
d'Alger .....	
Subvention à la compagnie concessionnaire	
à St Louis du Sénégal les possessions	
de Saint-Sauveur, Porto-Novo et le Gabon	
Subvention à la compagnie concessionnaire	
à l'Annam et aux An	

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The table is not found in any printed document or book. It has been compiled and arranged from the separate colonial budgets, sous-mineur de-  
telle, including the subventions, of which will be found in Table A, have been omitted, so that the figures in the last column will not always tally  
with the addition of those in the preceding columns.

- la Révolution, 1898.  
2 vols., 2 ed., 1897.  
coloniale de la France, n.d.  
Colonies Françaises, 1897.  
on et de législation coloniale,  
générale de la France, 1886.  
Française en Indo-Chine, 1895.  
Colonisation, 1897.  
le critique sur le régime financier  
chez les peuples modernes, 4 ed.,  
des colonies Françaises, 2 vols., 1894.  
la législation et d'économie coloniale,



the other European powers. Germany took part in bringing about the Berlin Conference which resulted in the Congo Act of 1885. This confirmed the principle of freedom of trade in the Congo, and defined the conditions which had to be in order to render valid the future seizures of territory in Africa.

The policy was not sufficient. An active pro-colonial policy in favor of the acquisition of colonies was being carried out by individuals and associations in Germany.<sup>1</sup> At the meeting of the Berlin Conference the German Empire had commenced to acquire colonies by taking possession of districts through its officials or by placing the protection of the Empire to individuals or companies that had acquired interests in certain territories. At the close of 1885 the following districts had been acquired: Togo, Cameroon, German South-west Africa, German East Africa, Kaiser Wilhelms-Land (New Guinea),<sup>2</sup> Bismarck Archipelago and the Marshall Islands including the Brown and Providence Islands.<sup>3</sup> In November, 1897, the German Admiral von Diedrichs took possession of Kiauchou Bay in the Chinese prov-

Der Deutsche Kolonialverein was founded in 1882; Der Gesellschaft für die Kolonization in 1884. These associations united in 1887 to form the Deutsche Kolonialgesellschaft. This association, which has branches in a large number of German cities, is one of a number of associations that are engaged in the work of disseminating information about the German colonies and of promoting colonial undertakings.

The writer is indebted to the Secretary, Herr A. Seidel and to Herr M. Brose, for the privilege of consulting the association's extensive library of colonial literature.

In 1886 the Northern Solomon Islands were added to the district of New Guinea by the New Guinea Company. The newspapers announce [1899] that an agreement has been made between England and Germany, subject to the approval of the United States, which will result in the cession of two of these islands to England and the acquisition by Germany of two of the largest of the Samoa Islands. Niue Island was added to this district in 1888.

ince of Shantung. In the resulting treaty of March 6, 1898, China ceded to Germany for a period of 99 years the exercise of all rights of sovereignty in the treaty district. In February of the present year [1899] an agreement was made with Spain for the purchase of the remaining Spanish islands in the Pacific. By the treaty of June 30, 1899, Spain ceded to the German Empire the complete sovereignty over the Caroline Islands and the Palau and Marianne Islands.

b. Determination of the Relation of Dependency to Mother Country.

The inauguration of a German colonial policy had not been unattended with opposition. In pamphlets and in the press the dangers attendant upon such a course were pointed out. It was maintained that conflicts of interests with foreign powers would lead to serious results. Particular emphasis was placed upon the cost of colonial undertakings, and the resulting burden upon the home taxpayer. In the Diet this opposition found considerable support. The government, accordingly, adopted a conservative policy. Indeed, it appears that in the beginning nothing more was contemplated than the establishment of a protectorate over the persons and property of German citizens in the respective districts. In the negotiations with other states for a determination of jurisdictions, the German government found it necessary to take a more advanced position and announced that its authority in the districts over which it had extended its protection was of a territorial character, applying to all persons within the limits of such territory.<sup>3</sup> The practical significance of this declaration, when taken in connection with the character of the acts of acquisition, was the extension of the sovereignty of

<sup>3</sup> Stengel, pp. 47. 103.

the Empire over the newly acquired districts. This has been the theory upon which the German government has acted. The form in which such sovereignty should be exercised was yet to be determined.

## II. SKETCH OF THE GOVERNMENT OF THE COLONIES.

### a. General Principles of Organization.

• It was not the purpose of the imperial government to take over the immediate administration of the colonies. In some of the districts private corporations had concluded agreements with the native rulers by virtue of which the latter ceded rights of jurisdiction as well as economic privileges. The policy of the German government was to avoid the development of an expensive machinery of colonial administration by placing the rights and obligations of government in the hands of trading companies which had acquired economic privileges in the territory. This policy was carried out in German East Africa, and in a district including Kaiser Wilhelms-Land, Bismarck Archipelago, and the Solomon Islands. In each district a charter (*Schutzbrief*) was given to a colonial company, granting or confirming its right to extensive economic privileges and to the exercise of governmental powers within such district. In the Marshall Islands a similar principle was followed, but in this case the administration was to be conducted by imperial officials, the costs of such administration being borne by the company (*Jaluitgesellschaft*).

The government was unable to extend this program to other districts. The companies which were engaged in undertakings in the other colonies were not organized for the exercise of such functions, and were unwilling to assume such grants of power with the resulting obligations. The companies which had received the char-

ters had not solicited the grant of governmental functions and were anxious to be relieved therefrom.<sup>1</sup> In 1890, the German East African Company concluded an agreement with the imperial government, by virtue of which it renounced all of its governmental rights.<sup>2</sup> Attempts to bring about the same result in the territory governed by the New Guinea Company had failed. The Diet was unwilling to assume the expenses of government while the Company retained its extensive economic privileges.<sup>3</sup> Recently, however, a satisfactory agreement was concluded, and on April 1, 1899, the government of the district was taken over by the imperial authorities.<sup>4</sup> Thus all of the colonies became subject to the immediate control of the German government.

It was apparent from the outset that the imperial legislature must determine the general principles of colonial organization. All of the colonies had been brought under the sovereignty of the German Empire by the act of the Emperor, who exercised this function by virtue of the right granted him by the constitution, of representing the Empire in international relations. This extension of sovereignty had been accomplished either by the occupation of territory which, in the sense of international law, was not subject to any political authority, as in the case of most of the possessions in Africa, or else by virtue of treaty cessions from the former sovereign of the territory, as in the case of the recent acquisitions from Spain. Uncertainty existed, however, with respect to the exercise of such sovereignty over the colonies. The executive might be able to extend the territory of the Empire but it did not follow that he could exercise un-

<sup>1</sup> Entwurf, 1899, Beilage, C., p. 68.

<sup>2</sup> *Kol.-Bl.*, 1890, p. 301, sqq.

<sup>3</sup> Entwurf, 1899, Beilage, C., p. 67.

<sup>4</sup> *Kol.-Bl.*, 1899, pp. 227, 228.

restricted jurisdiction over such district. In any event, so far as an appropriation of public funds was needed for carrying on the administration of the territory it was essential to have the coöperation of the Federal Council and the Diet. This necessity existed from the beginning. The draft imperial budget for the fiscal year 1885-86 contained an appropriation for the administration of the colonies. This at once precipitated the question of the government of the colonies. A part of the proposed sum was granted but it was ordered that a specific account of the expenditure should be made to the Diet and that certain information should be submitted before a permanent colonial organization was established.<sup>1</sup>

The question of the legal position of the colonies was brought before the legislature in 1886, and after careful consideration, the statute of April 17, 1886,<sup>2</sup> was enacted. This statute was amended in 1887<sup>3</sup> and 1888, and on March 19, 1888,<sup>4</sup> the original statute as amended was published by the Chancellor. This forms the organic law for the German colonies.

The colonies were not brought into the federal union and hence the dual system of government, as defined in the German Constitution, does not obtain for these districts. They are subject to the control of the national Central Government. The Colonial Act authorizes the Emperor to exercise, in the name of the Empire, the general powers of government in the colonies (§ 1). In accordance with the original policy of the government,

<sup>1</sup> Meyer, "Die staatsrechtliche Stellung der deutschen Schutzgebiete," p. 42.

<sup>2</sup> Gesetz betr. die Rechtsverhältnisse der deutschen Schutzgebiete, *R. G. Bl.*, p. 75.

<sup>3</sup> *R. G. Bl.*, p. 307.

<sup>4</sup> *R. G. Bl.*, p. 75, sqq.

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introduce certain modifications of the law of civil and criminal procedure and to establish limited penalties for acts which are not regulated by the criminal code of Germany. He is, moreover, authorized to extend the jurisdiction to other persons than those provided in the act regulating consular jurisdiction.

Other provisions of the Colonial Act of 1888 determine questions arising from the peculiar position of the colonies as neither foreign country nor members of the federal union. For certain purposes the colonies are regarded as foreign country and the imperial statutes regulating the rights of German citizens residing in foreign countries are made to apply, with the general proviso that the Emperor may extend the operation of these statutes to other persons than German citizens (§ 4). The natives are not regarded as German citizens, but they, as well as foreigners settled in the colony, may acquire such citizenship by naturalization in accordance with the general principles of the imperial constitution and statutes (§ 6). On the other hand, the colonies are regarded as inland territory so far as affects the application of the statute of May 13, 1870,<sup>1</sup> respecting the adjustment of double taxation; and the Emperor, by ordinance, may give the natives the same rights as German citizens with respect to the privilege of carrying the German flag on merchant ships (§§ 6, 7).<sup>2</sup>

The concluding section of the Colonial Act authorizes the Chancellor to issue the ordinances necessary for the execution of its provisions. He may enact police and other administrative measures and provide limited pen-

<sup>1</sup> *B. G. Bl.*, p. 119.

<sup>2</sup> §§ 8-10 of the Colonial Statute provide particular regulations for the organization of German colonial companies. After the Chancellor has approved the articles of association corporate power may be decreed by the Federal Council. Such companies remain subject to the supervision of the Chancellor.

alties for their violation. The Chancellor may delegate these powers to colonial officials as well as to colonial companies that have an imperial charter.

While the Colonial Act gives the Emperor general powers of government in the colonies, it clearly recognizes that such colonies are subjected to the sovereignty of the German Empire. Hence, the imperial legislature may amend the Colonial Act, or may establish particular regulations for the government of the colonies. Ordinances of the Emperor will be repealed by a subsequent imperial statute, while on the other hand, the Emperor can not modify the provisions of a statute of the legislature. Thus, the general position of the colonies, excepting those whose administrative expenses are sustained by a colonial company, has been affected by a statute of March 30, 1892.<sup>1</sup> This act limits the Emperor's powers by placing the budget and debt contracting capacity of the colonies under the control of the imperial legislature.<sup>2</sup> The general principles determining the organization of the colonial military forces have also been established by statute.<sup>3</sup>

It should finally be noted that the provisions of the Congo Act respecting trade regulations, slave trade, religious freedom, etc., are binding upon those parts of the German colonies which are within the conventional Congo district. Moreover, treaties with foreign states restrict the power of imposing custom duties, etc.<sup>4</sup>

<sup>1</sup> Gesetz über die Einnahmen und Ausgaben der Schutzgebiete, *R. G. Bl.*, p. 369.

<sup>2</sup> See post, "Budget" and "Debt." Pp. 68-71.

<sup>3</sup> Gesetz betr. die Kaiserlichen Schutztruppen in den afrikanischen Schutzgebieten und die Wehrpflicht daselbst, *R. G. Bl.*, 1896, pp. 187 sqq., 653 sqq.

<sup>4</sup> The text of the Congo Act and of other international agreements affecting the German colonies appear in "*Kol. G. G.*" under title "*Internationale Vereinbarungen.*"

### b. Administrative Organization.

The Imperial Chancellor, as the personal and responsible representative of the Emperor, stands at the head of the colonial administration. The entire administrative organization for the colonies has been created by ordinances of the Emperor, the Chancellor, and the colonial officials. The Colonial Department, consisting of a Director and a number of Councillors and Assistants, has supervision and control of the entire colonial administration.<sup>1</sup> It is a division of the Foreign Office, but is immediately responsible to the Chancellor in all matters affecting the internal administration of the colonies.<sup>2</sup> In matters affecting foreign relations the department is subject to the Foreign Office. There also exists a Colonial Council, the members of which are appointed by the Chancellor from those who are exceptionally qualified for the consideration of colonial matters. The Colonial Council considers measures affecting the administration of the colonies and gives opinions upon questions and policies that are submitted to it.<sup>3</sup> It passes upon the draft budget of the colonies.

The administrative organization in the individual colonies varies with the development of the colony. In each of the colonies a Governor is placed at the head of the administration.<sup>4</sup> The governor is provided with officials for the judicial, financial and general administration. A colonial military force exists in nearly all of

<sup>1</sup> The new colony of Kiauchou is administered by the Chancellor through the Ministry of Naval Affairs. *R. G. Bl.*, 1898, p. 173.

<sup>2</sup> *Kol.-Bl.*, 1890, p. 119; *Ibid.*, 1894, p. 647.

<sup>3</sup> "*Kol. G. G.*" I., pp. 3-6; *Ibid.* II., pp. 155, 158; *Kol.-Bl.*, 1895, pp. 221, 265.

<sup>4</sup> In the Marshall Islands, the chief official is a Governor General. The title of the chief executive in the colonies has passed through the three stages of 'Kommissar,' 'Landeshauptmann,' and 'Gouverneur.' Cf. "*Kol. G. G.*" II., p. 57.

the colonies. Where the colony has been divided into districts, an official is placed at the head of the local administration, and the same is true of the municipal organizations.

The governor in each of the colonies, and in German East Africa the chief justice and the chief of the financial administration, receives an imperial commission. The other officials are commissioned by the Chancellor in the name of the Emperor. The Chancellor may delegate this function to the governor so far as it applies to subordinate officials.<sup>1</sup> Natives assist in the local administration, and a large item in each budget is for the payment of the services of colored employees.<sup>2</sup>

No particular provisions exist respecting the training or preparation of colonial officials. The policy of the administration has been to take officials from the home departments, which ensures the necessary technical training.<sup>3</sup> For colonial officials this is not sufficient. It is in the highest degree essential that they should possess a knowledge of the language and characteristics of the natives with whom they will have to do. A knowledge of the special geographical features, including climatic conditions, will materially promote their capacity for successful administration. While the government has not adopted compulsory provisions, it has provided ample means to enable persons to acquire such information and preparation. The Oriental Seminar, which was established by the Prussian government in 1887 and is connected with the University in Berlin, offers exceptional facilities for instruction in the languages of oriental nations and the native languages of the German

<sup>1</sup> "Kol. G. G." II., p. 265 sqq. : *R. G. Bl.*, 1896, p. 691, sqq.

<sup>2</sup> Cf. "Selbstverwaltung in den Schutzgebieten" in *Kol. Z.*, Oct. 19, 1899, p. 397.

<sup>3</sup> Entwurf, 1899, Beilage A., p. 63.

Colonies.<sup>1</sup> In the Winter-Semester, 1899-1900, sixty-one courses are offered, embracing fifteen languages. Instruction is also given in tropical hygiene, geography of the African colonies and economic botany of the tropics. Persons preparing for the colonial service have taken advantage of these opportunities, and it may be expected that, in the course of time, colonial officials will be required to have such preparation.

The German government recognizes the importance of securing able men for the colonial service and provides special rewards for such service. The statutes regulating the relations of imperial officials, including the rights to pensions and the provision for survivors, have been made to apply to officials drawing their salaries from colonial sources so that they shall have the same rights against the colony as imperial officials have against the Empire.<sup>2</sup> Moreover, the principle that is applied to consular officials in tropical countries has been followed. A relatively larger salary is attached to the office and in estimating the time required for the establishment of the right to a pension, the length of service rendered in a colony will be doubled.<sup>3</sup> An official who is incapable of further service in the tropics does not receive his pension if he is capable of rendering service in the home departments, and is offered a position with an income equal in value to the pension to which he would be entitled.<sup>2</sup> Provision is made for the granting of leave of absence with travelling expenses and a certain proportion or all of the salary.<sup>2</sup>

These provisions have recently received a substantial addition in the interest of the colonial officials. In a

<sup>1</sup> Beneke, "Die Ausbildung der Kolonialbeamten," p. 70, sqq.

<sup>2</sup> "Kol. G. G." II., p. 265, sqq.; *R. G. Bl.*, 1896, p. 691, sqq.

<sup>3</sup> *Ibid*; Cf. act of May 31, 1887, *R. G. Bl.*, p. 211; "Kol. G. G." I., p. 9.

the colonies. Within the districts, an official administration, and organizations.

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power of modifying these regulations, in particular with reference to the law regulating rights in immovables.<sup>1</sup>

The ordinances affecting the internal administration of the colony are in general issued by the governor of the colony, though subordinate officials have the right to issue police regulations. This ordinance power has been utilized by the governors in matters affecting the public peace, health and the economic development of the colonies. The imperial coins have been made legal tender in most of the colonies.<sup>2</sup> The use and acquisition of public or unoccupied lands, mines, forests, etc., and the carrying on of certain occupations, trades and industries are subject to particular regulations.<sup>3</sup>

Of particular interest have been the ordinances affecting the native population.<sup>4</sup> In some cases, where agreements were made with native chiefs, the jurisdiction over the natives was reserved to such leaders. Even where this is not the case the policy of the government has been to respect the customs of the natives and to subject them very gradually to the operation of the laws regulating the legal relations of the white population. Native chiefs are utilized in the administration of affairs affecting the natives. Moreover the government has recognized the obligation of protecting the natives in their dealings with the more intelligent and the less scrupulous white persons. Considerations of public safety as well as the interests of the natives have led to

<sup>1</sup> Stengel, p. 218, sqq.

<sup>2</sup> The German East African Company retains the right of issuing small coins, which are legal tender within a certain district of German East Africa. *Kol.-Bl.*, 1890, p. 301.

<sup>3</sup> For an account of such ordinances see Stengel, p. 253, sqq.; for text see "Kol. G. G." under title "Allgemeine Verwaltung."

<sup>4</sup> Stengel, p. 278, sqq.; "Kol. G. G." under title "Rechtsverhältnisse der Eingeborenen."

the prohibition or regulation of the sale of intoxicating liquors or of fire arms to the natives. Particular rules are provided for the determination of contracts of sale, debt, pledge, etc., when a native is the party bound by the contract. Contracts for the employment of the natives and for their transportation out of the colony are subject to governmental approval and the latter are generally forbidden. Slave trading is prohibited. Slavery and polygamy are tolerated where the government has undertaken to respect the customs of the natives, but the tendency is to eliminate both of these institutions.

d. Financial Administration.

Originally the executive's general power of determining the financial administration was limited only by the provisions of international agreements and by the necessity of including annually in the imperial budget a sum sufficient to defray the deficit which arose from the colonial administration. In 1892, however, the determination of the colonial budget and the contracting of debts for the colonial administration were placed under the control of the imperial legislature. Notwithstanding these limitations the executive retains extensive powers in the field of financial administration. He is unable to make expenditures that have been disapproved by the legislative bodies, but in the levying and collecting of taxes he is not subjected to legislative control. Moreover, the legislature does not generally revise the expenditures as determined by the executive but confines itself to striking out particular expenditures.

III. REVENUE.

a. The Determination of the Revenue.

As previously indicated, the determination of the revenue so far as it arises from colonial sources, exclud-

ing loans, is within the control of the Emperor. It is, of course, possible for the imperial legislature to establish in the colonial budget a different income from that estimated, but this would take the form of the determination of a lump sum from a general source rather than the establishment or modification of a particular source of income. So long as the executive has the general power of colonial taxation, it is improbable that the legislature will undertake to determine the character or amount of the income.

The inhabitants of the colony have no voice in the determination of the source or amount of the revenue. The governor determines such matters subject to the power of the home authorities to overrule or modify his acts.

b. Discrimination in Favor of Mother Country.

No disposition is manifested to accord the citizens of the mother country any privileges in connection with the revenue system. So far as the Congo Act applies, such privileges would be subject to limitation. In certain colonies the citizens of foreign states have by treaty the right to the enjoyment of the same privileges as are accorded to German citizens. As has been indicated, certain colonial companies were granted extensive economic privileges as a return for the assumption of the costs and burdens of administration as well as the exploration and development of the colony. In so far as these privileges still exist they are limited to the right to take possession of unoccupied land, to mining and fishing privileges, etc.<sup>1</sup>

The customs regulations in general provide for

<sup>1</sup> The German East African Company retains rights of coinage, the privilege of establishing a bank, and the prior right to take over concessions for the building and operation of railroads within a certain district.

exemption from the payment of dues on articles belonging to the imperial government or necessary for the army or navy as well as the personal effects of the officers of the colonial troops and the officials of the civil administration.<sup>1</sup> In German East Africa the coins issued by the German East African Company are also exempt from duty.

c. Sources of Revenue.

The colonial revenue may be divided into two classes according to the sources from which it is derived: (1) Revenue derived from Colonial Sources; (2) Subventions from the Mother Country.

1. Revenue derived from Colonial Sources.

Colonial sources of revenue may be classified: (a) Taxation; (b) Fees; (c) Public Property.

(a) Taxation. (1) Direct Taxes.

Direct taxes have not constituted an important source of income, but there is a tendency to extend this species of taxation. The business or occupation tax was introduced at an early date in some of the colonies and has been gradually extended with the progress of economic development until it exists in nearly all of them. In Togo the tax is limited to trading firms. Firms engaged in both export and import trade pay 800 M annually; if they confine their activity to one of these branches the rate is 400 M; all others pay 100 M.<sup>2</sup> In South-West Africa the tax is confined to itinerant traders, and is graded according to the means of transportation utilized by the trader. The charge for a year's license is 30 M where no vehicle is used; 70 M where a cart is used; 140 M where a wagon is used.<sup>3</sup>

<sup>1</sup> Cf. import and export duties in "Kol. H. A. B.," 1899, pp. 74-80.

<sup>2</sup> *Kol.-Bl.*, 1899, p. 62.

<sup>3</sup> *Kol.-Bl.*, 1895, p. 458.

In the Marshall Islands trading firms are divided into two classes according to the amount of business transacted. The classes pay an annual tax of 6000 M and 15,000 M respectively. Taxes are also imposed upon saloons, 800 M annually; trading vessels of firms not located in colony, for each trip 1000 M; trading stations, 100-200 M annually.<sup>1</sup> In New Guinea and German East Africa the tax is a general business and occupation tax. Trades and occupations are divided into classes according to their character, the amount of capital employed, the income derived, etc. In New Guinea the annual tax varies from 40 M for the lowest class to 600 M for the highest class.<sup>2</sup> In German East Africa it ranges from 6 R to 360 R.<sup>3</sup>

The New Guinea Company introduced an income tax in connection with the occupation tax. Officials, merchants, managers and overseers of plantations, clerks, and craftsmen possessing an annual income from salary, profits or maintenance exceeding 1000 M are subject to an annual tax of 6 M, and on the excess in income over 1500 M to a tax of 2 per cent.<sup>4</sup>

A poll tax was introduced in the Marshall Islands at the same time that the business tax was established. Male residents, above the age of sixteen years, excluding natives, are subject to an annual tax of 20 M. The natives are subjected to an annual payment of 360,000 pounds of copra. The colony is divided into a number of districts and the tax is apportioned among these districts.<sup>4</sup>

<sup>1</sup> *Kol.-Bl.*, 1895, p. 569; "Kol. G.G.," II., p. 188.

<sup>2</sup> "Kol. G. G.," I., p. 530.

<sup>3</sup> *Kol.-Bl.*, 1899, p. 430; Cf. *Kol.-Bl.*, 1897, p. 123.

<sup>4</sup> "Kol. G. G.," I., pp. 620-621. The ordinance was recently amended so as to tax cocoanut groves when not possessed by natives. *Kol.-Bl.*, 1898, pp. 739, 740.

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When labor is offered it is to be used in the first place for the improvement of the roads within the district where the party resides. The local administrative authorities fix the value of the labor and natural products. Measures are provided for the enforcement of the tax and, for this purpose, forced labor is permitted. The tax went into operation April 1, 1898, and the governor reported that no opposition to its enforcement was encountered.<sup>1</sup> According to the report, the natives residing in the coast districts appreciate the benefits of an orderly administration, while the interior natives pay the tax without having any appreciation of its basis or purpose. The proceeds of the tax exceeded anticipations. From April 1, 1898, to January 10, 1899, the collections were as follows:<sup>2</sup> Cash payments, 214,995 R; natural products, 4,197 R; labor, 2,032 R. Total, 221,224 R. For the fiscal year 1898 it appears that the income from the tax amounted to 363,115 R, of which 95 per cent. was paid in money, 3 per cent. in natural products, and 2 per cent. in labor.<sup>3</sup>

In South-West Africa owners of vehicles are subject to an annual tax of 20-40 M for the benefit of road improvement.<sup>4</sup>

## (2) Indirect Taxes.

Customs form the chief source of revenue from taxation. In German East Africa, South-West Africa and New Guinea both export and import duties exist, while in Cameroon and Togo only the latter are imposed.<sup>5</sup> The rates are in general determined by revenue consid-

<sup>1</sup> "Jahresbericht," 1897-98.

<sup>2</sup> *Kol.-Bl.*, 1899, pp. 167-168.

<sup>3</sup> *Deutsch-Ostafrikanische Zeitung*, quoted in *Kol.-Bl.*, 1899, p. 659.

<sup>4</sup> "Kol. G. G.," II., pp. 205, 206. A dog tax of 10 M has recently been introduced; *Kol.-Bl.*, 1899, p. 507.

<sup>5</sup> For compilation of customs duties see "Kol. H. A. B.," 1899, pp. 4-80; "Kol. Kal.," 1899, pp. 235-245.

the duty range from  $1\frac{1}{2}$  per cent. to 10 per cent. to some extent according to the value of the goods. In New Guinea, the duty is 10 per cent. on goods brought in by sea and 5 per cent. on goods brought in by land. The duty on imports of spirits is 10 per cent. and on other liquors of  $1\frac{1}{2}$  per cent. The duty is collected upon importation on the receipt of the license for the manufacture of spirits. The license is issued by the colonial administration, and the duty is the same.<sup>2</sup> A license is also issued for the manufacture of intoxicating liquors and for the privilege of carrying on the trade.

The duty is collected by the colonial administration, etc.

The duty on private persons have been levied on the colony, and the duty on the use or alienation. The duty on the use of land may be included the income tax on the privilege of using the land for the purpose of mining, etc.<sup>3</sup> The duty on the use of land has not been of much importance.

The duty on the use of land and the duty on the use of revenue in the colony.

<sup>2</sup> *Col. Rev.*, 1893, p. 103.

<sup>3</sup> *Col. Rev.*, p. 7271 and Togo

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German East Africa and South-West Africa. In the former colony the railroad has not been sufficiently extended for the income from its administration to figure in the budget, and in South-west Africa it appears for the first time in the budget for 1899. It will be some time before there is an excess of income over cost of operation of these railroads.

The supervision of the caravan trade in the interior, government wharves, docks, repair shops, etc., furnish income from the economic undertakings of the government.

## 2. Subventions from the Mother Country.

Grants from the home government have constituted an important source of revenue in all of the colonies except the Marshall Islands, where the annual deficits are defrayed by the Jaluitgesellschaft. In most of the colonies grants have been necessary from the beginning, and, as a rule, the amount increases annually. The increases are largely due to the expenditures for public works and productive enterprises. The following table shows, in thousands of marks, the amounts included in the budgets of the German Empire for the expenses of colonial administration for the respective years ;

	[ooo omitted.]			
	1896-97.	1897-98.	1898.	1899.
Permanent expenditures.....	230	261	290	299
Temporary expenditures.....	9,267	8,244	10,740	16,401
Kiauchou government .....	—	—	5,000	8,500
	9,497	8,505	16,030	25,200

The permanent expenditures are for the colonial department of the Foreign Office. The temporary expenditures are, for the most part, the annual subventions to meet the deficiencies in the revenues of the individual colonies. They also include annually the sum of 200,000 M for the 'Afrikafonds' established for aiding

scientific undertakings directed to the exploration of Central Africa and other countries.<sup>1</sup>

d. Statistics of Revenue.

The following tables taken from the colonial budgets as fixed by statute, exhibit the approximate revenues for the respective years :<sup>2</sup>

GERMAN EAST AFRICA.

Source.	[ooo omitted.]					
	1894-95	1895-96	1896-97	1897-98	1898	1899
Direct taxes .....	----	----	----	----	100	350
Customs .....	1,750	1,750	1,350	1,400	1,625	1,750
Other Taxes, Fees and Administration Income.....	400	400	250	300	435	410
Imperial Subvention .....	3,370	3,687	4,301	4,339	3,805	5,985
Total .....	5,520	5,837	5,901	6,039	5,965	8,495

SOUTH-WEST AFRICA.

Source.	[ooo omitted.]					
	1894-95	1895-96	1896-97	1897-98	1898	1899
Direct taxes .....	----	----	----	----	10	10
Customs .....	27	27	386	550	350	500
Other Taxes, Fees and Administration Income.....	----	----	----	----	40	40
R. R. Administration .....	----	----	----	----	----	20
Imperial Subvention .....	1,000	1,700	4,087	3,015	4,601	6,609
Total .....	1,027	1,727	4,473	3,565	5,001	7,479

CAMEROON.

Source.	[ooo omitted.]					
	1894-95	1895-96	1896-97	1897-98	1898	1899
Direct Taxes .....	----	----	----	----	28	28
Customs .....	565	565	590	500	460	600
Other Taxes, Fees and Administration Income.....	46	45	50	80	92	102
Imperial Subvention .....	----	620	677	690	814	983
Total .....	610	1,230	1,319	1,270	1,394	1,713

<sup>1</sup> See "Jahresbericht," 1897-98, under title "Afrikafonds."

<sup>2</sup> All sums are expressed in thousands of marks.

## TOGO.

[ooo omitted.]

Direct Taxes.....	----	----	----	----	27	27
Customs.....	180	262	377	395	500	500
Other Taxes, Fees and Administration Income.....	6	3	3	5	23	23
Imperial Subvention .....	----	----	----	----	----	254
Total .....	186	265	380	400	550	804

## NEW GUINEA.

[ooo omitted.]

Direct Taxes, Customs, other Taxes, Fees and Administration Income..	----	----	----	----	----	75
Imperial Subvention .....	----	----	----	----	----	657
Total .....						732

## KIAUCHOU.

[ooo omitted.]

Imperial Subvention .....	----	----	----	----	5,000	8,500
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## IV. EXPENDITURES.

## a. Determination of Expenditures.

The expenditures of the colonies are estimated annually in advance, and are determined in the colonial budget which is established by act of the imperial legislature. The latter, therefore, possesses the power of limiting or expanding the expenditures of a colony and of determining their character. As a matter of fact, however, the legislature confines itself to keeping the expenditures within a certain limit, which is generally determined by the consideration of the amount of the contribution from the imperial treasury which will be rendered necessary by such expenditures. In the draft colonial budget statements are made of the causes which justify a change from the budget of the preceding year.

The legislature has at times refused to allow the full amount of the estimated expenditures. In the budget

for the present fiscal year, however, the only change made in the draft budget was a reduction of 61,000 M in the amount of expenditures estimated for the colony of South-West Africa.

b. Extent to which Colony or Mother Country sustains Expenses of the other.

Thus far there is no question of the colony's sustaining any portion of the expenses of the mother country. It will be some time before the colonies are placed upon a self-supporting basis, and any surplus that may arise will be needed for the development of improvements within the colonies. No disposition appears to have been manifested to utilize the colonies as a present or future means of assisting in defraying the expenses of the home country.

On the other hand, as previously indicated, the home government has contributed liberally towards the support and improvement of the colonies. This does not appear to have been carried as a claim against the latter except in two or three instances in the case of the colony of Cameroon.<sup>1</sup> It must be noted, however, that the colonies are subject to the legislation of the Empire and, so far as colonial property is concerned, to the ordinance power of the Emperor.

c. Kinds of Expenditures.

1. Permanent Expenditures.

Under this class fall the costs of the civil and military administration and, in the case of German East Africa, of a flotilla. Particular features of interest are the items for extraordinary compensation to officials and soldiers, for pensions for retired officials and soldiers and their survivors, as well as for the increase of such pensions under certain circumstances.<sup>2</sup>

<sup>1</sup> See pp. 70-71.

<sup>2</sup> 51-52, 66.

A considerable sum appears under the head of miscellaneous expenditures. Government schools are maintained in most of the colonies. Missions and church congregations have received assistance from the government. The public highways are kept in repair. In German East Africa this burden is imposed upon the local districts, which receive for this purpose 50 per cent. of the proceeds from the house tax and 20 per cent. of that obtained from the occupation tax. Government hospitals exist in most, if not all, of the colonies. Sums are appropriated for investigations in the field of agriculture, botany and forestry, and the public land survey has been inaugurated. The maintenance of the public peace, which was at first the sole function of the government, constitutes an important item of expenditure. A police force exists and, in most of the colonies, colonial troops are maintained. In these forces and for the manual labor of the civil administration the natives are employed to a considerable extent.

The operation of the railroads in German East Africa and South-West Africa, constitutes another item of permanent expenditures, which it is expected will be offset by a corresponding income, and the same is true of government docks, wharves, etc. The exploration of the interior and the establishment of new stations furnishes a regular item of expenditure.

The liquidation of the debt is included as an item of expenditure in some of the colonies.

## 2. Temporary Expenditures.

In all the budget colonies there are annual expenditures for public works, including public buildings and roads. Appropriations have been made for government steam vessels, and stationary floating wharves have been



	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899.
Pub. Buildings and Roads_	100	280	276	280	250	240
Railroads_	----	----	----	----	72	2,000
Miscellaneous_	----	----	200	200	----	300
Reserve for Unforeseen Ex.	17	15	16	13	13	13
Total Expenditures_	5,520	5,837	5,901	6,039	5,965	8,495

## SOUTH-WEST AFRICA.

[ooo omitted.]

Salaries, pensions, etc., of Civil Administration_	----	----	41	62	68	165
Salaries, pensions, etc., of Military Administration_	----	----	1,121	991	1,064	1,159
Other Expen. of Civil and Military Administration_	947	1,598	2,453	2,063	2,107	2,494
R. R. Administration_	----	----	----	----	----	20
Permanent Expenses_	947	1,598	3,615	3,116	3,239	3,838
Pub. Buildings and Roads_	----	----	330	404	258	340
Railroads and Telegraph_	----	----	----	----	1,000	2,392
Miscellaneous_	50	100	366	----	458	864
Reserve for Unforeseen Ex.	30	29	162	45	45	45
Total Expenditures_	1,027	1,727	4,473	3,565	5,000	7,479

## CAMEROON.

[ooo omitted.]

	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899.
Salaries, pensions, etc., of Civil Administration_	93	94	178	182	187	219
Salaries, pensions, etc., of Military Administration_	----	----	75	79	137	168
Other Expen. of Civil and Military Administration_	344	767	754	773	949	1,125
Debt_	91	91	91	91	----	----
Permanent Expenses_	528	952	1,097	1,125	1,273	1,512
Pub. Buildings, Roads, etc.	60	275	200	125	100	140
Miscellaneous_	----	----	----	----	----	40
Reserve for Unforeseen Ex.	22	3	21	20	21	21
Total Expenditures_	610	1,230	1,319	1,270	1,394	1,713

## TOGO.

[ooo omitted.]

Salaries, pensions, etc., of Civil Administration_	22	27	69	81	87	91
Salaries, pensions, etc., of Military Administration_	----	----	----	18	30	46
Other Expen. of Civil and Military Administration_	118	188	240	234	323	527
Permanent Expenses_	140	215	309	333	440	664
Pub. Buildings, Roads, etc.	35	35	55	55	95	95
Miscellaneous_	----	----	----	----	----	30
Reserve for Unforeseen Ex.	11	15	16	12	15	15
Total Expenditures_	186	265	380	400	550	804

	1897-98.	1898.	1899.
.....	.....	.....	196
.....	.....	.....	200
.....	.....	.....	100
.....	.....	.....	33
.....	.....	.....	3
			<hr/> 732

enforced the statutory provisions, with the exception of administration are provided. This act provides for each colony to be incorporated in the system established by statute. In accordance with the budget is annually submitted. Specific amounts for civil and military pensions, increase appropriated for the kept separate from other persons. The specifically the salaries as a detailed account of various expenditures of the temporary cases, the expenditure considerable detail.

of the colony of Kiauchou.  
a lump sum is appropriated for the expenses of administration of

A small amount is annually included as "Reserve Funds", to provide for unforeseen expenditures.

The Budget Act further provides (§ 2) that a statement of the entire income and expenditure of the colonies for the fiscal year shall be submitted to the Federal Council and the Diet not later than the end of the following year, and that any expenditures over and above the budget estimate shall be particularly designated for the purpose of supplementary authorization. Before the Chancellor is exonerated from his responsibility, he must have submitted an account of the expenditure of all income for the year (§ 3). The auditing authorities which supervise and control the imperial budget exercise the same functions with respect to the colonial budget.

#### VI. DEBT.

The act of March 30, 1892, contains important limitations upon the power of the colonial administration to contract debts for colonial purposes. It is expressly provided that the obligations arising out of the administration of a colony, bind only the property of such colony (§ 5). This provision relieves the Empire from such obligation and at the same time gives juristic personality to the colonies.<sup>1</sup>

Another section (§ 4) of equal importance provides that if the extraordinary requirements of a colony necessitate the contracting of a loan or the undertaking of a guaranty, such contract or undertaking shall be authorized by statute.

None of the colonies have thus far contracted bonded indebtedness, nor does it appear that the mother country has undertaken any such obligation for colonial purposes. Obligations in the nature of debts have been

<sup>1</sup> Stengel, p. 127.

assumed for two of the colonies and a third colony appears to be held for the repayment of certain sums to the mother country. When the imperial government took over the administration of German East Africa, the East African Company agreed to make certain payments amounting to 10,556,000 M.<sup>1</sup> The company negotiated a loan to meet these payments and the imperial government agreed to pay the Company annually, until such loan should be liquidated, the sum of 600,000 M, out of the net proceeds of the customs. If in any year the net proceeds fell below such amount the deficiency was to be made good out of any excess in any subsequent year. It appears that 90 semi-annual payments of 300,000 M each, will be necessary before the loan is liquidated. The 17th and 18th semi-annual installments were paid during the present fiscal year.

New Guinea is subject to a similar obligation. Among other things, the imperial government guaranteed to the New Guinea Company, in return for the cession of its privileges and the public improvements in the colony, the sum of 4,000,000 M, to be paid in ten annual installments.<sup>2</sup> The agreement was made subject to the approval of the Federal Council and the Diet, which seem to have accorded the same by including the first annual payment in the budget of the colony for the fiscal year 1899. In accordance with the act of March 30, 1892, the obligation binds only the colony.

Cameroon appears to be the only colony which has been required to make repayment of a subvention from the imperial treasury. The sum of 1,425,000 M was granted this colony as an advancement in the imperial

<sup>1</sup> 4,000,000 M to the Sultan of Zanzibar for the relinquishment of his rights, and the remainder in productive and public works in the colony. See contract, *Kol.-Bl.*, 1890, p. 301 sqq.

<sup>2</sup> See contract, Entwurf, 1899, Beilage C, p. 70.

budget for 1891-92, and subventions were made in 1894-95, and 1895-96, amounting to 1,093,710.25 M. The colony was to make repayment in twenty-seven annual installments of 90,750 M each and one payment of the balance. The seventh installment was paid in the fiscal year 1897-98 but no payment has been made since then. The imperial legislature has made annual subventions to meet deficiencies in the revenue of the colony since 1895-96. The draft budget for 1899 states that further installments in repayment of the above amount must be postponed until the colony possesses adequate revenue derived from its own resources. The later subventions do not appear to have been carried as an obligation against this colony.

ISIDORE LOEB.

LIST OF AUTHORITIES WITH EXPLANATION OF ABBREVIATIONS IN THE REFERENCES.

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Beneke, Die Ausbildung der Kolonialbeamten. 1894.

B. G. Bl. = Bundes-Gesetzblatt.

Entwurf, 1899, = Entwurf eines Gesetzes betr. die Feststellung des Haushalts-Etat für die Schutzgebiete auf das Rechnungsjahr, 1899, und Etat der Schutzgebiete auf das Rechnungsjahr 1899.

Jahresbericht = Jahresbericht über die Entwicklung der Deutschen Schutzgebiete: Beilage zum Deutschen Kolonialblatt.

Kol.-Bl. = Deutsches Kolonialblatt. Amtsblatt für die Schutzgebiete des Deutschen Reichs.

Kol. G. G. = Die deutsche Kolonial-Gesetzgebung. I. Theil, 1890-1892; II., Theil, 1893-1897. Herausgegeben von Riebow und Zimmermann.

Kol. H. A. B. = Kolonial Handels-Addressbuch. Herausgegeben von dem Kolonial-Wirtschaftlichen Komitee.

Kol. Kal. = Deutscher Kolonial Kalender. Herausgegeben von G. Meinecke.

Kol. Z. = Deutsche Kolonialzeitung. Organ der Deutschen Kolonialgesellschaft.

Meyer, Georg, Die Staatsrechtliche Stellung der deutschen Schutzgebiete. 1888.

R. G. Bl. = Reichs-Gesetzblatt.

Stengel = Stengel, Carl, Freiherr von, Die deutschen Schutzgebiete, ihre rechtliche Stellung. Verfassung und Verwaltung. 1895.

## THE DUTCH COLONIAL FISCAL SYSTEM.

With the exception of unimportant posts on the Gold Coast of Guinea, resigned to the English in 1871, the colonial possessions of the Netherlands have remained substantially the same since the Napoleonic period. There have been some territorial rearrangements in the East, but these and the greater changes that preceded them deserve no detailed treatment in a sketch of the modern fiscal system of the Dutch colonies. The present possessions are divided for administrative purposes into three groups:—the East Indies, Surinam and Curaçao. Of these groups the first, comprising a large part of the islands in the Malay archipelago, is by far the most important. It surpasses the Netherlands not only in area and population, but also in the amount of its annual expenditures and revenues, and in quantitative comparison with it the other possessions are insignificant. In this report, therefore, the fiscal affairs of the East Indies will be described apart from those of the other colonies, and in much greater detail.

The contrast between the Asiatic and American possessions is not alone one of magnitude. There is the further distinction that the Asiatic colonies have for a large part of the century returned a net surplus to the home treasury, while the American colonies have been and still are a drain upon it. Table A.,<sup>1</sup> which states the expenditures of the Netherlands on colonial account, shows that both Surinam and Curaçao depend upon the governing country for the payment of certain fixed ex-

<sup>1</sup> P. 101.

penses and for subventions in addition. The expenditures of the Netherlands charged to the department of the colonies, which amounted to little over 100,000 florins per annum before 1862, but which have been since then in most years a little over 1,000,000 florins per annum, represent constant support given the American dependencies, aside from the special appropriations for emancipating the slaves. To the East Indies, on the other hand, no aid is granted by the governing country, even in case of a deficit in the colonial finances. This deficit has become a regular occurrence in recent years, and the Netherlands can no longer count upon the subsidy that the Indies used to return. This subsidy still appears in the estimate of revenues of the state—"Contribution of Dutch India to the revenues for payment of the kingdom's expenditures"—but no sum is set opposite the item. In the estimate for 1900 only two payments were counted upon as coming from the colonies, and both of these were sums due from the Indies for the charges on debt that had been contracted to cover deficits in the Indian finances.

A catalogue of all the islands included in the Dutch possessions in the East would serve but poorly the purpose of indicating the territory which forms the basis of the Dutch colonial system, by diverting attention from the cardinal importance of Java. That one island, with the small island of Madura, supports on an area little larger than that of the State of New York a population of 26,125,000 (more than 500 inhabitants to the square mile), while the other Dutch possessions in the Indies (outer possessions — *Buitenbezittingen*) with an area thirteen times as great have a population little more than one-third that of Java and Madura and furnish only about one-sixth of the total revenues. Throughout this

century Java has formed the main field of activity of the Dutch financiers, and Java has supplied the surplus revenues that have enabled the Dutch to extend their rule in the other eastern possessions.

In 1800, when the control over the Indian possessions passed from the East India Company to the state, the Dutch really governed only a small part of the territory, even in Java; most of the native states maintained their existence under a Dutch protectorate. A small part of Dutch India is still governed by the native princes, but the tendency has been toward a constant extension of direct rule by the Dutch, and the exceptions to this rule in the more advanced and prosperous parts of the archipelago, the parts with which this paper is most directly concerned, are now rather formal than real. The native princes have become salaried officials, and maintain an influence only in so far as they can make themselves useful in forwarding the plans of their foreign rulers. The distribution of powers among the Dutch is, therefore, the only point to be considered in this sketch of the system of government. Of the government in India it may be said that strict centralization is the most marked feature. All power proceeds from the Governor General, who is limited in his action practically only by his responsibility to the home government. An advisory council is given him, but it is set below rather than beside him. There is absolutely no local autonomy, and there are no municipal fiscal systems. The expenditures for lighting the streets in Batavia and Macassar appear in the budget that is framed under the supervision of the Governor General and debated and adopted by the Dutch Chambers.

In the first half of the century the Governor General exercised his important functions subject alone to the

penses and for subventions in addition. The expenditures of the Netherlands charged to the department of the colonies, which amounted to little over 100,000 florins per annum before 1862, but which have been since then in most years a little over 1,000,000 florins per annum, represent constant support given the American dependencies, aside from the special appropriation for emancipating the slaves. To the East Indies, on the other hand, no aid is granted by the government of the country, even in case of a deficit in the colonial finances. This deficit has become a regular occurrence in recent years, and the Netherlands can no longer count on the subsidy that the Indies used to return. The subsidy still appears in the estimate of revenues of the kingdom—"Contribution of Dutch India to the revenues for payment of the kingdom's expenditures"—but no amount is set opposite the item. In the estimate for 1880, of two payments were counted upon as coming from the colonies, and both of these were sums due to the Indies for the charges on debt that had been incurred to cover deficits in the Indian finances.

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time to the cultivation of speci-  
the government took from them at  
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conditions in the market, espe-  
he price of coffee, the government  
much in excess of the costs of economic  
ministration. The net surplus was ob-  
only by tolerating many vicious feat-  
ministration and by pressing the native  
ond endurance. Expenditures, on the  
pecially on items like education and the  
of justice, were reduced to a point that  
permanent welfare of the people. The  
of the culture system to obtain a net profit  
serious evils, both economic and political,  
se became better known in the Netherlands  
an opposition to the system that made re-  
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characteristics of the culture system are described in detail by  
t writer in an article in the *Yale Review*, VIII, 420, Feb.,

No date can be set as marking the end of the culture system, and in fact a remnant of it is still in operation, but changes in the financial system occurred in the period immediately following 1860, so important that a new period may be said to have begun then. These changes can be summarized as follows. The forced cultures were abolished in favor of free cultivation, those going first that were most burdensome to the natives and least profitable to the government. Up to 1880 the receipts from the sale of products by the government amounted to more than half of the total revenues, but the proportion has now sunk to one-fifth or less; in absolute amount the receipts from this source of revenue have declined from 70-80,000,000 florins to 20-30,000,000. The decline in government revenues from the sale of products forced an amendment and extension of the other sources of revenue, which has given them a much more important place in the fiscal system. So far as possible the government made up for its losses on sales by direct taxes on production, or by export duties. The taxes on natives were subjected to a thorough revision, and the system of farming out the taxes gave way, in most cases, to direct administration by the government. Finally, the taxes on Europeans were extended to accord with the increase in the class of merchants and planters, who had been given little encouragement to settle in the islands while the culture system was in operation, but who have grown constantly in numbers since the chance to profit in industrial enterprise has been more freely opened to them.

Aside from annual fluctuations, due in large part to the aleatory character of the receipts from the sale of products, the revenues have varied but little from the figure of 130,000,000 florins during the last thirty years.

The change from a surplus to a deficit, is due to an increase of expenditures, partly the ordinary ones necessary for proper government of the natives, but especially the military expenditures occasioned by the stubborn resistance of the natives of Atjeh, northern Sumatra, to the extension of Dutch rule. The war in Atjeh began in 1873, and is still going on. Before this war the home government had been used to receive substantial subsidies every year, which had been applied in large part to the reduction of the national debt, and after 1860, to the building of railroads.<sup>1</sup> Since 1840 this subsidy had been made up of two parts, a fixed annual payment of 9,800,000 florins for interest on the Indian debt, and a variable sum in addition, which absorbed the rest of the Indian surplus. The distinction between the two items was given up in 1864, after the debt had long been paid, and the state appropriated to itself the surplus in a lump sum. There was a feeling in the Netherlands that the treasury ought not to rely on the Indian contributions as a regular source of revenue, but the Dutch finances became in fact more and more dependent on it, and a proposal to limit the contribution to 10,000,000 florins, and to apply the rest to the service of the Indies was rejected in 1869. The outbreak of the Atjeh war necessitated a change. In the budget of 1874, the ordinary revenues and expenditures of the Netherlands were made to balance, without the help of an Indian subsidy, for the first time since 1814. But this result was accomplished only by means of questionable book-keeping, and the state was soon forced to obtain by loans and by other taxes the sums that the Indies had formerly contributed. The

<sup>1</sup> Estimates of the net surplus vary considerably. Pierson puts it at 781,000,000 florins for the period 1840-1874. Van der Berg makes it 725,000,000 florins, 1831-1871. (Boissevain, *Ned.-Ind., De Gids*, 1887, II., 337). Other estimates in de Louter, 273.

Indian contribution appeared in the estimates of revenue for the last time in 1877, and then only for a small sum, originating in the back-payments of former years. Since then there has been in exceptional years (in 1889, in 1890, and in 1893), a surplus in the Indian finances, but the Kingdom of the Netherlands has not benefitted by it, because there has been no legislative authority to appropriate it. The Chambers have not been able to agree on the principle or the amount of the contribution, though since 1878 many laws have been proposed to settle permanently the financial obligation of the Indies to the Netherlands. Most of the laws aimed to fix a certain annual subsidy, varying from 2,000,000 to 6,000,000 florins, and to give the rest of the surplus in whole or in part to the Indies. Interest in the question has flagged in the Netherlands, because it has no practical importance so long as the Indian deficits continue, and the whole subject still awaits settlement.

In Table B<sup>1</sup> a statement is given of the revenues of Dutch India, arranged according to the classification of the Dutch Statistical Bureau. Some features of the classification seem unreasonable, but it rests upon high authority, and at any rate is accurate enough to give a general idea of the grouping of revenues. The purpose of this report will be best served by confining the text to a description of the most important sources of revenue, leaving to the reader the comparison with other colonial systems and the generalizations to be drawn therefrom. The large part played by the sale of products and by the government monopolies is noteworthy. In regard to the direct taxes the most interesting feature is the arrangement of parallel taxes on

<sup>1</sup> Pp. 101-102.

Oriental and on Europeans.<sup>1</sup> The direct taxes seem to have been modelled, but with variations, on the Dutch taxes whose names they bear. Index letters refer to the tabular statement.

a. *Landelijke inkomsten*. Aside from some small special taxes on land and fish-ponds, this source of revenue is made up of one item, the land-tax, (*landrente*), the most important single direct tax in Dutch India, though confined to Java and Madura. This tax was introduced during the period of British rule in Java, 1811-1816, and has been retained ever since as a tax on that part of the land which is held by native customary tenure, while land held by non-natives is now reached by a parallel tax, the *verponding*. A law passed after long agitation, in 1872, attempted to define the principles and regulate the details of the land tax. Before that date the tax had been raised by a system of bargaining (*admodatie-stelsel*), between the government officials and the village head-men, and the best fighting side came out ahead, inside the broad limits set by the needs of the government and the prosperity or adversity of the village. Now all was to be strictly regulated. All villages were to be put into one of ten classes, according to the gross product of the land, villages in each class were to pay a different sum per unit of area, the classification was to be revised every five years, etc. The law has been severely criticised for some of its provisions—the imposition village-wise and not on individuals, the adoption of the gross and not the net product for the basis of assessment, and other features, seemed faulty. Into the details of this criticism it is

<sup>1</sup> In 1895 there were 51,484 Europeans and 256,055 Chinese in Java and Madura, 11,831 Europeans and 213,479 Chinese in the other possessions. The number of Arabians and other Orientals was less than that of the Europeans.

not worth while to enter, for the law has really never been carried out. Native custom is too strong, and knowledge by Europeans of the actual individual conditions of the lands and villages is too slight. A village pays a certain land tax now not on any statistical basis but simply because it has paid that sum in the past and because experience has shown its ability to pay it. From time to time there are rough readjustments that lower or raise the tax of certain villages as conditions change or knowledge of the conditions increases, but the attempt to regulate the whole land-tax by general legislation has been given up. Cadastral surveys are going forward, and with them an approach to the imposition on individuals which is an essential preliminary to any systematic reform of the tax. Under the present system investigation has shown that in each village the land-tax is apportioned by a different method.

b. *Verponding*. The preceding tax has a complement in a tax on all real property which is held by title according to the European fashion, even though the owner or occupant is a native. This tax extends over all of the Dutch Indies. By reason of its application to a picked class of the population, the members of which can be reached individually by the government, it is much more systematic in its action. Land and buildings are assessed every five years, the latter being valued at ten times the gross annual rental.

c. *Belasting op het bedrijf*. The business tax is divided like the land tax, into two parts, one designed for natives and one for Europeans. In the case of this tax, however, foreign Orientals (Chinese, etc.) are grouped with the natives, but are rated twice as high, paying 4 per cent. instead of 2 per cent. The tax is

levied on the earnings of all Orientals who are not subject to other taxes, (*i. e.*, practically all who are not cultivators of the soil) with the exception of officials and natives whose earnings are less than 25 florins a year. Schedules are made up every year by local commissions, and the tax is collected through the village head-men and the heads of the Chinese quarters. In 1895 the average payment per capita was in Java and Madura for natives 1.73 florins, for Chinese 10.56 florins, for other foreign Orientals 8.60 florins. A minimum of 1 florin per capita for natives was abolished in 1893, causing for two years a shrinkage in the receipts which has since been made up.

d. *Patentrecht*. The business tax on Europeans was not introduced till 1878 and then only in the face of a strong opposition. It amounts to 2 per cent. of the net income received from any form of gainful enterprise, which is not conducted entirely by or for the profit of natives. Planters deduct from their gross receipts the amount of the land tax. The only exemptions are in favor of officials, missionaries, etc., and stock companies with offices in the Netherlands and taxable there. The last exemption, which is designed to avoid double taxation, has caused Dutch India to lose a considerable amount of revenue which fairly should come into the treasury. A number of attempts to remedy the injustice proved abortive, but in the present budget of Dutch India (1900) an item appears, "Reimbursement of the revenues of Dutch India from the yield of the Dutch business tax," which is put at 300,000 florins.

e. The *personeele belasting* is a direct tax on consumption introduced in 1879 and imposed on Europeans and foreign Orientals, with a slight distinction between the two classes. The principle and name were borrowed

from the Dutch tax on personal property, but the colonial tax has been modified, and shows, it is said, an improvement over its model. It consists of 5 per cent. of the rental value of domiciles, 2 per cent. on the furniture, and a fixed payment for each horse and carriage kept for purposes of luxury.

The tax on vehicles (f. *belasting op rijtuigen*) is a special tax levied on the natives of Java, payable by the owner of each cart or wagon, even though it be used for business purposes.

g. *Vendurecht*. The tax on public sales has been levied in Java since the seventeenth century. Its main interest lies in the function that it assigns to the state of insuring the fulfillment of purchases made on credit by one native of another.

h. *Hoofdgeld*. The poll tax, which in many countries is regarded as one of the most oppressive taxes, has been in Java and Madura a boon to the people in relieving them from the labor dues that used to be exacted by the officers of the native states. Under the primitive conditions of native government these dues formed one of the most important sources of public revenue. The imposition of taxes by the Dutch, and the extension of the culture system with its demand for special labor dues did not lead to an abolition of the *heerendiensten*, "services due to the lord", which were exacted by the Dutch government and by the native chiefs and head-men without reasonable limit. No part of the tax system bore so heavily on the subjects in comparison with the small amount of benefit that it brought to the rulers. The poll tax represented originally the commutation of a certain part of these services, the *pantjen-diensten*, which included all services owed to natives above the rank of village head-men. This class of services was

abolished in 1882, and a tax of one florin was levied on each man who had owed services, to recompense the official class of natives for the loss. The revenues proved to be more than necessary for this purpose, and the surplus has been appropriated to the abolition of other services. At the present time more than half of the total is available for this extension of commutation. It is the desire of the government to raise the poll tax in each district as rapidly as the conditions permit, and to apply the proceeds to the abolition of labor dues in the same district, but experiments made from time to time have shown that the process of commutation is difficult and must be slow. For a complete transformation of labor into money dues it is estimated that a tax of two to three florins per head would be necessary. It is especially difficult to reach and regulate the dues owed to the headmen from the members of the village, and these will probably remain long after the more public services have been abolished. At present the amount of time required by the government itself is very moderate in comparison with the amount that used to be exacted. Taking all of Java and Madura together, the mean number of days given by each man owing services is about six in a year. In some residencies the number goes down to one, and the highest mean of any residency is ten. The labor is applied to the construction and maintenance of roads, bridges, irrigation works, public buildings, etc., the manning of watch-houses, and the watching of water-works. In the outer possessions there is a great variety of conditions. The maximum number of days required in any district, exclusive of communal services, is 42 and, in general, the progress is much behind that which has been made in Java and Madura. The poll tax levied in many of the outer possessions

seems to have no bearing on the commutation of labor dues.

Of the indirect taxes, duties and excises are by far the most important. i. Of the revenue from stamp duties, transfers and successions, more than half comes from the stamp duties, *zegelrecht*, which are imposed in all of the Indian possessions, and to which natives are subject as well as other Orientals and Europeans. The inheritance tax imposed on Europeans, *recht van successie en overgang*, yields but 72,000 florins, as estimated in the budget of 1900, while the tax on transfers of real property, *recht van overschrijving van vaste goederen*, yields 644,500. This last tax, however, is not strictly confined to real estate (it includes ships) and it shares the field of the inheritance tax in some respects.

j. *In- en uitvoerrechten*. During the early part of the century the system of differential duties to protect Dutch products and shipping was consistently maintained, limited only by the treaty obligations to other powers. In spite of the fact that the Dutch paid but half of the import duty imposed on foreigners they were unable to secure control of the market from Americans and English, and when the differential duties were lowered, in the years after 1865, and finally abolished in 1874, the trade not only of the Indies but of the Netherlands as well gained by the change. Since 1874 the Indian tariff has been on a purely revenue basis. A nearly uniform rate of 6 per cent. was maintained until 1886, when the demand for more revenue from this source led to an increase to 10 per cent. on some articles. Out of a total of 9,141,785 florins raised by import duties in 1897 more than half was levied on five articles, woven goods, spirits, food stuffs (excluding fish and butter), gambier (called cutch in British India, used with betel

for a masticatory) and fish. Both specific and ad valorem duties are in force. Articles not specified in the tariff pay 6 per cent. ad valorem. The free list includes most metals, raw materials, tools and cattle; all goods are free, moreover, when imported from some other possession in the Dutch Indies in which the same tariff is in force, or when imported for the use of the government. Most of the possessions are under the one tariff, but some are free from it entirely (Celebes, Timor, etc.); some have much lower rates (East Sumatra); and some have special individual tariffs (Indragiri). Export duties used to be imposed on a very large number of articles, but the number has been constantly diminished. In 1886 a proposition to abolish them entirely was lost by only two votes in the Dutch Chamber, while a counter proposition to abolish them only for exports to the Netherlands (so re-establishing a differential) was overwhelmingly voted down. In 1897 the export duties gave to the treasury 2,010,389 florins, the most important articles contributing as follows in thousands of florins: sugar 774, coffee 420, tobacco 367, tin 187, indigo 79. The export duty on sugar was suspended for a number of years after 1887, owing to the depression of the sugar industry, and was finally abolished in 1898. A royal decree of Dec. 30, 1899, established an export duty upon forest products in the outer possessions; an attempt had been made in 1880 to impose such a duty, but there was such strong opposition from the interests affected that at that time the plan was rejected by the Second Chamber.

k. *Accijnzen*. Under this head are included internal taxes imposed on the production, or, in the case of tobacco, on the movement from one possession to another, of articles subject to import duties. In 1897

the excise on petroleum gave about three-fourths of the total revenue received under this head, and the remainder came from matches, distilled liquors and tobacco.

l-o. It is not necessary to enter into the details of the other items grouped under taxes (*belastingen*) by the Statistical Commission, or to inquire why some are placed under that head. A few points are, perhaps, worth noting. The receipts from education include 100,000 from the schools for natives. The charges for pilotage and the like are more than half net profit to the government, and are imposed without favor on the ships of all nations. Though the post and telegraph return a surplus, it amounts to no more than the fictitious charges for government letters and telegrams. Among the miscellaneous receipts there is one item of interest, a remnant of what was once the universal system, a "contribution" from the native states in Celebes for the protection afforded by the Dutch, amounting to less than 25,000 florins.

The revenue from the sale of products on government account is still a very important item in the finances of Dutch India, in spite of the extension of taxes proper since the reform of the culture system. The three products that deserve special notice under this head return their revenues under three different systems of management.

p. Coffee is still cultivated on the plan of the old culture system, by forced labor. As lord of the land the state reserves land suitable for coffee culture that has not already been brought under cultivation by the natives, and imposes on villages in its vicinity the obligation of maintaining coffee plantations on it. With the exception of certain classes, all landholders in a village in the coffee district are required each year to plant a

certain number of trees, fifty at the most, to cultivate them, pick and prepare the product, and deliver it to the government at a fixed price per pikol (133 lbs.). Natives who are not bound to the coffee culture are allowed to grow coffee, but must sell the product to the government at a fixed price. In 1896-7, 287,915 families were subject to the system of forced culture, but less than half of these were required to plant new trees, the others simply maintaining those that were already under cultivation. The total number of trees under forced culture was estimated at 66,000,000, while the number under free cultivation by the natives, the product of which had to be sold to the government, was 180,000,000. The price paid at present is 15 florins per pikol, for coffee of good quality, 7.5 florins for an inferior grade, and the total cost to the government, including the price, is from 17 to 20 florins, taking the mean of the years 1893 to 1897. In that period the government sold its coffee in the Netherlands for about 69 florins gross, or 57 florins after deducting the expenses of transportation and sale. The gain in some years is very considerable, but varies greatly, of course, with the crop, and the price that can be obtained for it. In the estimates for 1900, the receipts from coffee are put down at 10,185,815 florins, and the specific expenses of the administration for coffee at 5,713,461 florins. At present the government coffee culture in the East Indies is declining, and more than half of the crop is now grown by private planters, who have the free disposal of their product. There is not enough flexibility in government management to enable the culture to withstand such shocks as the coffee blight, and under a system of compulsion it has proved impossible to prevent hardship and suffering of the natives. It is generally recognized that

the government culture is a clumsy and wasteful mode of raising revenue, but it is so firmly established, and the difficulty of developing new sources of revenue is so great, that it will probably continue for some time longer. A royal commission investigated the question in 1889, and advised that the feature of forced delivery should be retained, but that the price paid to the natives should be raised, and that the forced culture should be abolished. In the discussion of the Indian budget of 1893, the Second Chamber passed a resolution that the government should make it its constant object to do away with the coffee monopoly, and should either lease the lands or pay the natives working on them the market rate of wages. Since then the obligation to sell coffee to the government has been given up in four of the twenty residencies in Java.

q. During the latter period of the culture system the government introduced the cultivation of the cinchona tree in the highlands of Java, with the idea rather of adding to the resources of the country than of increasing the revenues. The government plantations were carried on like private enterprises by free laborers, and were designed simply to stimulate planters and natives to raise cinchona. For some twenty years the government conducted the enterprise at a loss, but since about 1880 there have been returns in excess of the costs of cultivation. During the four years, 1892 to 1895, the net return varied from 6,858 florins to 12,650 florins, and in 1896 it reached the much higher figure of 102,013 florins. The government crop has for a number of years been less than one tenth of the total amount of cinchona bark raised in the islands.

r. While in the cinchona culture the government has no advantage over private competitors except in its con-

trol of the waste land of the country, it has in tin production a natural monopoly which it has inherited from the Sultan of Banka. The government exploits the tin mines of Banka through contractors, mostly Chinese, to whom it pays a fixed sum of 13.50 florins per pikol for the tin which they produce, beside making them advances in various ways. The total cost amounted in 1897 to 27 florins per pikol, and in that year the government sold in the Netherlands 157,354 pikols at a price of 45.26 florins. The mines in Billiton are worked, on a concession, by a private company, the *Billiton-maatschappij*, whose relations with the government in the past have occasioned some scandal. According to the present concession, which lasts to 1927, the company is required to turn over five-eighths of its net profits to the state. The share of the state in the gains of the company was estimated at 2,150,000 florins in the budget of 1900.

s. Of the other products produced and sold by the government there is but one of great importance, the coal from the Ombilien mines in Sumatra. In 1900 the receipts from the sale of coal were estimated at 2,648,000. Against this figure should be set the sum of 1,627,350 appropriated for the expense of working the mines.

t. Opium takes in the eastern world much the same position as that taken by spirits in the western, and imposes on the statesman very similar problems. Prohibition has, in the past at least, proved impracticable in most cases, and all that can be done is to provide that the people should get as little harm and the treasury as much money as possible. In practice the government has assumed the monopoly of the wholesale trade in opium, importing the entire supply from British India and pro-

libiting home production, and has got its revenue by farming out the privilege of retail trade to the highest bidders. The twofold object, gain to the treasury and prevention of harm to the people, would seem to be attainable by charging the opium farmers a high price for the drug, but smuggling became so prevalent when this was done that both the treasury and the people suffered. To prevent smuggling the "tiban and siram" system was introduced. An estimate was made of the amount of opium which the people of a district were sure to want, and this amount (*tiban*) the farmer was compelled to buy at a high price. If he wanted more it was furnished him (*siram*), up to a certain maximum, at cost. An experiment with the abolition of the upper limit led to a tremendous increase in consumption, and the government returned to the policy of setting a maximum for the amount furnished each district, but charged the same price for all quantities. Smuggling was prevented so far as possible by elaborate administrative regulations and by a liberal policy in setting the maximum. This is the policy followed in the main at present. Its most serious fault is the natural tendency of the opium farmers to make up for the price that they pay the government for their privilege by increasing their sales in any way possible. In 1893 an experiment was made in certain districts with government administration of the retail trade, by salaried officials, and the success attained has led to an extension of the system, which will undoubtedly become universal in time. The greatest part of the receipts from opium represent net revenue, the cost of the drug and the expenses of administration being only about 2,000,000 florins.

u. The salt monopoly has often been attacked as an

undue burden on the natives, but in view of the fact that no general poll tax is imposed in Dutch India this source of government revenue seems justified. The government maintains a monopoly of the manufacture of salt, and sells the product at a fixed price to the people. The government price used to vary considerably in different parts of the archipelago, but the price of 6.72 florins per pikol is now almost universal.

v. The small leased revenues (*kleine verpachte middelen*) include a great variety of payments grouped by the Dutch statisticians under the head of monopolies, though they vary greatly in character, and are alike only in that they are all of long standing, affect only Orientals, and are all farmed out. They comprise taxes on the slaughter of cattle and pigs, on Chinese gambling and theatrical entertainments, the lease of birds-nest cliffs, etc.

w. The state forests, especially valuable for the teak which they furnish, have in the past been exploited generally by auctioning off to individuals the right to cut the timber on a certain area. There is at present a tendency to extend the action of the government, and to manage the forests directly for the profit of the state.<sup>1</sup>

x. Of the railroads in Dutch India three-fourths in mileage were constructed and are run by the state. The net returns, above operating expenses, amounted to 4,621,672 florins, a return varying on the different lines from 1.66 per cent. to 6.75 per cent. of the cost of construction. A steam tramway in Atjeh gave a net return of 46,301 florins, and the state received in addition 162,000 florins from the private lines.

<sup>1</sup> Details of recent regulations in an article by van Ossenbruggen, *Jahrbuch f. vergl. Rechtswissenschaft*, IV., 685, ff.

In regard to the expenditures of the Dutch Indies (Table C, p. 102) it should be noted that all are supposed to be for the benefit of the Indies, not of the Netherlands, even though the money is laid out in the home country. Items appear in Section I, Expenditures in the Netherlands, like "expenses of sending letters and telegrams to the Indian government", "expenses of commission to report on legal reforms in Dutch India", "share in the expenses of the Royal Cadet Academy"—there is a tendency to force the Indies to be absolutely self-supporting, but the writer has observed no case in which the Indies have been levied upon for expenditures which are for the sole benefit of the Netherlands. It is very possible that the Indies bear more than their proper share of some expenditures which are of common interest, but these items are so small that the question is of theoretical rather than practical importance.

Running through the items under Section I, it will be seen that the largest are those of finance (interest on debt 4,288,000, pensions 7,331,900), public works (largely railroad supplies), war and navy. The Indian possessions bear the entire burden of their military and navy establishment, paying not only the expense of maintaining it in India, but also the costs of recruiting and transporting the men, and even a share of the costs of educating officers in the Netherlands, maintaining the hydrographic bureau there, etc. The expense of construction and equipment of the fleet is borne also by the Indies, so far as regards the ships designed for permanent service in eastern waters. The Dutch government provides an auxiliary squadron of two armored and four unarmored cruisers, of which only the maintenance, not the construction, is paid out of the Indian revenues. This is, so far as known to the writer, the only exception to

the general rule that the Indian possessions shall pay their own way.

The items under Section II, Expenditures in the Indies, need little comment. Attention should perhaps be drawn to the fact that expenditures on the different products whose sales form part of the government revenue, appear under several divisions, expenditures on opium under III, on coffee, cinchona and forest products under IV, on tin, coal and salt under V. These items do much to swell the expenditures, especially in division V, in which the expenditures on education and religion are much less than half of the total. In division VI, Public Works, the cost of building and running the railroads and telegraph lines is a little more than half of the total expenditures, the construction and maintenance of irrigation works are about one-fifth. The amount expended for the war department is the more remarkable as the population of Java is one of the most peaceable of any in the world, and there is little need for an army except as the government pursues the policy of expansion in the outer possessions, the policy to which it is now devoted.

The budget of the Dutch Indies is divided into four parts, each ratified by a separate law. The two parts determining expenditures and revenues in the Netherlands are prepared under the direction of the Minister of the Colonies, and the result is cabled to the Indian government before February of the year preceding the budget year. Meanwhile the Director of Finance in the Indies has been preparing the estimates for the second section of the budget, comprising the expenditures and revenues in the Indies, which he now revises to accord with the proposals of the home government. The whole is then submitted to the Governor General and Council for correction and approval. After such changes as seem

desirable have been made the whole budget is sent to the Netherlands, passes under the revision of the Department of the Colonies, then goes to the Council of State, and by September at the latest to the States General, accompanied by a message from the Minister of the Colonies explaining its provisions. The budget is referred to a committee of five in the Second Chamber, whose report furnishes an opportunity to criticise the policy of the government in general and detail that is answered by another message from the Minister seeking to justify the course of the government and full of promises for the future. In the budget of 1900 amendments were made in 24 articles before it was passed by the Second Chamber. The Second Chamber contented itself with general criticism, to which the Minister replied as above. After the budget has gone into effect, the Governor General is allowed to make transfers of appropriations within the limits of a subdivision, and the subdivisions are pretty broad. Thus, for example, in the division of appropriations for education, religion and industry, different subdivisions comprise each an object of expenditure like education of Europeans (2,700,300 florins), education of natives (1,409,489 florins), religion (713,400 florins), medical service (2,028,818 florins), tin (4,789,833 florins), etc. The appropriations for unforeseen expenditures in each division insure in another way a certain flexibility, and in addition the Governor General is authorized in case of necessity to borrow the means of meeting unanticipated expenditures if he notifies the King immediately of his action. Such action must be ratified as soon as possible by the legislative power, but ratification is almost never refused, and the Indian government takes full advantage of its liberty in this direction.

The variable character of the revenues from the sale of products and the fact that the Indian government is obliged to make its estimates so long before the opening of the year, have led in the past to great differences between the estimated and the actual results. From 1871 to 1884 the expenditures exceeded the estimates by 111,000,000 florins, a mean of nearly 8,000,000 a year. There has been some improvement in this respect, as can be seen from the following table, in which the contribution of India to the Netherlands is omitted from the expenditures. Figures are in millions of florins :

	1867		1877		1886		1895	
	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.
Estimated.....	120	104	136	134	134	140	128	138
Actual .....	138	110	163	159	131	128	131	144

There has been great improvement also in the promptness with which the year's accounts are closed.

During the fat years of the culture system the debt contracted by the Netherlands in behalf of the Indies was paid off, but the deficits of the following years have caused the Indian treasury to run further and further behind. An advance of 18,000,000 florins was made to the Indian government in 1884, raised by a loan contracted by the Dutch treasury. In recent years the Department of the Colonies has been borrowing heavily of the Department of Finances, which was authorized by a law of 1897 to make advances to the Indian revenues up to the amount of 48,000,000 florins. The floating debt issued to cover the Indian deficits increased till the interest charge amounted to over a million florins in 1897. This led to the passage of a law in 1898 authorizing a 3 per cent. state loan in behalf of Dutch India, fixed at 57,815,000 florins. The budget of Dutch India for 1900

appropriates 3,848,000 florins for the interest, costs and payment of the 3 per cent. debt, and 440,000 florins for payment of charges on floating debt.

The Dutch colonies in America are Surinam or Dutch Guinea and Curaçao, a colony consisting of the island of that name, and other small islands lying north of Venezuela. The most striking difference between these possessions and those in the East Indies is one in size, especially in population. Surinam had in 1897 a population of 67,767, of whom 766 were Europeans, excluding those serving in the army and navy. The total population of Curaçao was 50,705, and of these but 438 were natives of the Netherlands. Further it should be noted that the real native population is insignificant, and that the bulk of the people are negroes or coolies. As there was no indigenous civilization, with an established tax system, all the taxes have been introduced by the Dutch.

There is little difference between the fiscal systems of Surinam and Curaçao. In theory the colonial government, composed of a governor and legislative council, is empowered to determine the revenues and expenditures of the colony, subject to the approval of the King. The salary of the governor, and the expenses of the army and navy, being paid by the Netherlands, are removed from the sphere of action of the colonial government, and it is expressly provided that no import or export duties can be imposed which would injure the trade of the Netherlands or of other Dutch colonies. If, however, the colonial budget is not submitted by the colonial government within the proper time, or if it is not satisfactory to the King, or if the colony finds its revenues insufficient and needs the financial aid of the

state, the power of determining the items in the budget passes from the colonial to the home government. As there is almost always a deficit in the colonial revenues, in both Surinam and Curaçao, the budgets of both colonies are generally passed upon by the Dutch Chambers. As to the method of preparation, the budget of Curaçao for 1900 may be taken as an example. The Governor submitted it to the Council, May 9, 1899, and it was adopted July 13, after eight amendments had been made in it. This provisional budget, with the Governor's message, the report of the Council, and the message in answer, was then sent to the Netherlands, was presented in the Second Chamber, November 6, and after two unimportant changes had been made in it, was finally acted on in the First Chamber, January 19, 1900. Complaint was made in the Second Chamber, that the budgets of both Curaçao and Surinam were presented to the members too late to allow them the proper amount of time for examination, and neither budget was finally adopted till several weeks after the opening of the fiscal year. So far as shown by the documents used by the present writer, both budgets were adopted substantially as they were when submitted by the colonial governments. The demand for a subvention from the home government evoked no special criticism, though the hope was expressed that it might cease in time.<sup>1</sup>

In explanation of Table D,<sup>2</sup> revenues and expenditures of Surinam and Curaçao, few words will be necessary. The expenditures on immigration are for the

<sup>1</sup> Reference to the tables appended (pp. 101, 102,) will show that there is a great discrepancy in the figures of the subventions as stated in the Dutch budget and in the colonial budgets. The figures in the colonial budgets represent probably the sums finally granted. The figures in the Dutch budget date from its introduction in the Second Chamber, Sept. 21, 1899.

<sup>2</sup> P. 103.

office charges of the bureau that supervises the coolie traffic, and for advances and premiums to colonists. The large expenditure on the colonial marine in Surinam is explained by the fact that the rivers of the colony take the place of highways in large part, and the government maintains many small steamers for the use of officials.

Of the sources of revenue import duties and the internal tax on liquor are by far the most important. In the report on the budget of Surinam by a committee of the Second Chamber the fear was expressed that the colony might become too dependent on them. Export duties are levied on staple products in most of the islands of the colony of Curaçao, but have been abolished in Surinam since 1895 and are replaced there by a tax on the production of gold. Under special revenues in Surinam the writer has grouped two sums, coming from a former loan and from a pension fund that had just been abolished.

CLIVE DAY.

TABLE A.

BUDGET OF THE NETHERLANDS, 1900. DEPARTMENT OF THE  
COLONIES. EXPENDITURES.

I. Costs of the department (salaries, etc.).....	fl. 237,679
II. Expenditures for Surinam :	
Salary, etc., of governor.....	30,500
Pensions for former governors.....	8,649
Army for defence of the colony.....	375,000
Pensions, etc., for former members of army.....	92,117
Contribution to the colonial revenues.....	99,052
	605,318
III. Expenditures for Curaçao :	
Salary, etc., of governor.....	20,508
Pensions for former governors.....	5,400
Army for defence of the colony.....	177,000
Pensions, etc., for former members of the army.....	31,000
Contribution to the colonial revenues.....	48,888
	282,796
IV. Pensions of officials of former possessions on the Coast of Guinea.....	11,869
V. Other pensions, etc.....	28,942
VI. Unforeseen expenditures.....	40,000
Total .....	1,206,604

*Staatsbegrooting, 2 X. 1.*

TABLE B.

## BUDGET OF THE DUTCH EAST INDIES, 1899.

## REVENUES.

[000 omitted.]

<i>Direct taxes :</i>	
a. Land revenue from natives (mainly land tax).....	18,234
b. Land tax on non-natives.....	2,138
c. Business tax, Orientals.....	3,026
d. Business tax, Europeans.....	970
e. Tax on personal property.....	927
f. Tax on vehicles.....	280
g. Tax on public sales.....	685
h. Poll tax.....	3,146
<i>Other taxes, etc. :</i>	
i. Stamp duties, succession and transfer taxes.....	2,000
j. Import and export duties.....	10,887
k. Excise taxes.....	7,974
l. Receipts from education (school fees).....	492
m. Port and wharf dues, pilotage, etc.....	802
n. Post and telegraph.....	2,289
o. Miscellaneous.....	2,677

*Sale of products by the government (gross receipts):*

p. Coffee .....	14,170
q. Quinine .....	149
r. Tin .....	8,318
s. Other products .....	2,151
<i>Monopolies:</i>	
t. Opium .....	18,916
u. Salt .....	8,807
v. Other revenues farmed out .....	3,243
<i>Other receipts:</i>	
w. Receipts from the State forests .....	2,656
x. Railroads and tramways .....	11,980
y. Lease of land and buildings .....	1,641
z. Miscellaneous receipts .....	4,184
Total .....	132,743

## SUMMARY.

	Amount.	% of total.
Taxes, etc .....	56,527	42.6
Sale of products .....	24,789	18.7
Monopolies .....	30,965	23.3
Other receipts .....	20,461	15.4
	132,743	100

*Jaarcijfers, Kolonien, 102, 103, 104.*

TABLE C.

## BUDGET OF THE DUTCH EAST INDIES, 1900. EXPENDITURES.

[000 omitted.]

	I. In the Netherlands. fl.	II. In the Indies.
I. Superior Government .....	37	1,108
II. Justice .....	70	5,330
III. Finance .....	13,054	12,824
IV. Internal Administration .....	986	29,558
V. Education, Religion and Industry ..	1,262	16,625
VI. Public Works .....	3,763	21,889
VII. War .....	5,247	25,254
VIII. Navy .....	3,669	4,574
IX. Contribution of Dutch India to the Treasury of the Netherlands .....	"Memorie"	-----
Total .....	28,088	117,162
		28,088
Grand total .....		145,251
Estimated revenues .....		141,931
Deficit .....		3,320

*Begroeting van Nederlandsch-Indie, No. 8, No. 22, Memorie van Toelichting.*

TABLE D.

## BUDGETS OF SURINAM AND CURAÇAO, 1900.—EXPENDITURES.

[ooo omitted.]

	Administration.	Justice and Police.	Administration of Finances.	Religion, Education, Poor, etc.	Public Works.	Pensions, etc.	Unforeseen Expenditures.	Local Expenditures.	Militia at Paramaribo.	Immigration.	Colonial Marine.	Total.
Surinam---	149	356	302	526	452	218	50	---	7	48	317	2,424
Curaçao---	77	118	54	115	65	158	20	79	---	---	---	685

## REVENUES.

	Import Duties.	Excise on Liquor.	Leases of State Land.	Deductions for Pensions.	Gold or Export duties	Stamp Duties.	Postal Receipts.	House or Land Tax.	Income Tax.	Contribution from Dutch Treasury.	Special	Other.	Total.
Surinam--	1,100	200	131	87	63	42	32	49	62	128	242	288	2,424
Curaçao--	110	93	24	28	17	13	74	87	---	83	---	156	685

*Begroting van Suriname, No. 6, No. 9, do. Curaçao, No. 6, No. 9.*

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## ITALY'S EXPERIENCE WITH COLONIES.

The Italians have had no time to work out a system of colonial administration. Italian expansion is a phenomenon of the last fifteen years, and its decisive and disastrous conclusion a happening of yesterday. It presents nothing more to the student of administration than a series of tentatives whose action, whether for good or ill, has been repeatedly impeded and crossed by the shocks of war. There has been no chance to evolve a consistent, characteristic line of policy. No judgment passed upon such an incipient system can be final; it cannot hope to attain the accuracy of one pronounced upon a system that has been for decades or centuries in the process of development and correction, under conditions of peace or, at least, of periodic peace.<sup>1</sup> The study of beginnings is not, however, without its instructive side, nor is the Italian colonial policy without its distinctive results.

The first foreign possession of United Italy was the bay of Assab, on the Red Sea, purchased through the agency of the Rubattino Steamship Company (Nov. 15, 1869); the object of the purchase was to acquire a station on the new route to the Indies and also to develop the commerce of Arabia and the interior of Africa. The Italian government finally paid two-thirds of a million lire for this sterile tract, to which it gave no more attention until the period of colonial fever set in.

<sup>1</sup> The following sketch will be found defective in matter of detail; it has been impossible to secure in time the data necessary for an exhaustive treatment of taxation, etc. The writer has been forced to deal merely with the generalities of the case, supporting himself with such figures as are available.

This phase was suddenly initiated by the Italian occupation of Massowah (Feb. 5, 1885). Considerations of national vanity, race-pride and "megalomania", brought to the fore in consequence of this unopposed movement, spurred the nation to an activity which by 1891 had augmented the Italian possessions and protectorates to the following number :

POSSESSIONS.<sup>1</sup>

	Square miles.	Population
Country around Massowah, with Keren and Asmara.....	3,100	250,000
Dahlak Archipelago.....	420	2,000
Assab Territory.....	550	6,800

## PROTECTORATES.

Territory of Habab, Bogos, Beni-Amer, etc. ....	18,000	200,000
Territory of Afâr or Danakil, including the Sultanate of Aussa.....	34,000	200,000
Somali Coast (Obbia, etc.), with a tract of interior country extending to Wadi Nogal and Mudug.....	90,000	300,000
Kingdom of Abyssinia (Tigré, Lasta, Amhara, Gojam, Shoa, Kaffa, Harrar, etc.).....	190,000	5,000,000
	<hr/> 336,070	<hr/> 5,958,800

Subsequently, the Sultan of Zanzibar ceded to Italy all his powers over the four ports of Brava, Merca, Magadishu and Uarsheic for thirty years, for the sum of 100,000 rupies (about \$47,000) per year (Aug. 12, 1892); and the English gave over the administration of Benadir for three years (from July 16, 1893) to the commercial establishment of V. Filonardi and Company. In the course of later hostilities, the Italians came into possession of extended territories watered by the Juba, Uebi, Shebeli, etc. Cassala was occupied in 1894, together with Coatit and Senafé; in 1895, Tigré was annexed. Some of the above protectorates, therefore, had by 1896 come to be regarded as possessions.

<sup>1</sup> From Prof. Guido Cora, "Statesman's Yearbook," 1891.

In consequence of the disasters of 1896, the protectorate over Abyssinia no longer exists, districts taken from the Abyssinians have been restored, and Cassala has been handed over to England. Little interest is displayed in Eritrea; the colony is now regarded as a necessary burden.

In the administration of her possessions, Italy set out with the purpose of avoiding all the errors which the historians of colonization point out in the various national systems. And it must be said that the form of administration devised, especially that due to the spirit and initiative of Gen. Baratieri, was liberal and progressive. But, as a matter of fact, all these good intentions were little better than wasted on Eritrea; they were worthy of a better field of application, where ill success would have been less certain. Without entering into detail, it may be said that Eritrea, with the possible exception of some limited and distant parts, was utterly unfit for agricultural or plantation colonization, and that as a commercial station, the colony could arouse no well-grounded enthusiasm. No amount of encouragement sufficed to allure to Eritrea an emigration of either men or capital. Indeed Italy was in no position to invest capital outside her own boundaries, while her labor was the kind whose emigration is rather a flight than a display of personal initiative. She was in no way ready to undertake colonization.

The general trend of events could easily be prophesied from such conditions. The Italian government, far from profiting by Eritrea, has for the most part, been intent upon reducing the colonial deficit to nine million lire per annum, and has succeeded none to well in the endeavor. It is estimated by Brunialti that her "colo-

nies " had cost Italy about 500,000,000 lire and 10,000 men up to 1897.

During the early nineties the colony was gradually advanced to an autonomous administration, and to the management of its own finances. The imperial government is represented by the governor and three counselors. Under the administration of Baratieri, who was appointed governor in 1892, the colony was divided into the district of Massowah, where the administration, judicial, social and political, was carried on as in Italy, and into dependent territories, where native laws and uses were respected and applied as far as possible. The native dues, etc., were of a distinctly feudal type.

Up to Jan. 1, 1890, there was no special account for the colonies; at that time a colonial budget was instituted, being appended to that of the department of Foreign Affairs. In 1892, certain powers, exercised by the Italian minister of marine in the colony, were discontinued, and the corresponding accounts transferred to the colonial budget. Gradually there were added to this colonial balance other items formerly entered under the heads of finance, treasury, posts and telegraphs, and public works. An expense of about eight millions was thus recognized as necessary for all these services for which provision has at first been made fragmentarily, and which were now brought directly under the eye and responsibility of the Governor.

In spite of Baratieri's wise regulations, the colony could pay only a small annual sum toward its own maintenance, the deficit being advanced by Italy. The following tables<sup>1</sup> will give some idea (in thousands of lire) of the colonial receipts and expenses:

<sup>1</sup> These tables are constructed from figures given in the "Statesman's Yearbook" and the "Almanach de Gotha"; they serve, of course, merely to illustrate the general character of the budget.

	Receipts from col. [ooo omitted.]	Expenses.	Deficit.
1890-1-----	1,520	3,167	1,647
1891-2-----	1,326	2,376	1,050
1894-5-----	1,448	2,234	786
1895-6-----	1,700	2,349	649
1897-8-----	1,900	-----	-----
1898-9-----	2,492	2,864	373

These figures do not, however, indicate the real drain on the Italian treasury during the period; costs connected with the maintenance of colonial troops, with military operations, etc., raise the figure perceptibly.

Total cost to Italy (in thousands of lire):<sup>1</sup>

From seven to eleven million lire are spent yearly in merely maintaining the colonial army. In the discussions over the colony and the colonial policy, the burden on the treasury has been generally estimated at twenty millions, and the most sanguine have not hoped to reduce it below seven or nine millions, in times of comparative peace. For a miserably overtaxed and debt-burdened country that pays about one-third of its money as interest on debt and spends another third on its army and navy, such a colony is something of a luxury.

The Italians expected remarkable services from Eritrea in the direction of amelioration of conditions of emigration, of the building up of the merchant marine and of the development of commerce. Little service has been rendered, however, in any of these particulars. For a time it was hoped that the colony could be made to pay

<sup>1</sup>Including expenses of military occupation, posts and telegraphs, railroads, etc.

1891-2-----	15,898
1894-5-----	13,728
1895-6-----	123,738
1896-7-----	48,970
1897-8-----	19,800

its own expenses, but at present that idea also seems to have been abandoned. Certain considerations of national pride prevent a withdrawal from Africa, or a severe limitation of present boundaries.

The distinctive feature of Italian colonization has been the artificiality of its development. Conditions favorable to a natural development were absent both in Italy and in Eritrea; and, although details of management, etc., may have been wisely ordered, it is clear enough that Italian colonization has been practically a complete loss and failure. Other states think, perhaps, that they can afford to pay for the privilege of civilizing savages, developing through colonial possessions their trade and marine, and entering the circle of the colony-holding "Great Powers"; but the example of Italy should warn small and poor states from an undue expansion, and should cause the wealthiest nations to consider well the character of proposed possessions before embarking upon a policy which implies a reversal of the natural order of development, and whose hoped-for advantages have, in Italy's case, been shown so entirely illusory.

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## SPANISH COLONIAL POLICY.

### I. THE GENERAL POLITICO-ECONOMIC POLICY OF SPAIN.

Spain, like other European nations emerging from the mediaeval period had no distinctive economic policy, except as it was incident to and dependent upon a definite political policy. The latter was dependent in turn upon the processes of national development the first step of which was integration followed by expansion and aggrandizement. In seeking to build up national life at home and defend national existence abroad, certain economic principles were involved in the financial operations of the Spanish nation. To no greater extent than this could Spain claim an economic policy and so impressed were her rulers and her people with the methods of national aggrandizement prevailing then that the national policy of the sixteenth century has never been entirely relinquished.

The integration which took place in Spain which resulted in making a strong centralized government began with the union of the parts of the territory ; it was followed immediately by the long struggle of the crown against the nobility, then by the struggle of the towns for rights and privileges and finally by the struggle against the provinces in behalf of the unity of the nation. Spain came out of this struggle fully amalgamated, a strong imperial government capable of exercising arbitrary power. The internal struggle to establish unity with a national life and character was supplemented by an external struggle for national existence, in defense against encroachments of other nations. This involved new financial conditions and new financial opera-

tions. As the old feudal state declined and passed into the new modern state there was need of an army and navy, a fund of available wealth and a method of providing for the accumulation and expenditure of the same. Thus the affairs of the nation pertaining to the conditions of political existence and growth, involved the regulation of finance and trade, of coinage, of credit and industry. For the same reason, that is, of building up the national prestige, and glory, the imperial government sought power and wealth through conquest, commerce and trade.

From this aggressive nation building and defensive warfare by a settled policy and distinctive formula, most of the nations of Europe emerged into a larger life with increased intelligence in the management of their affairs. That is, from the general formula of politico-economic action they came into freedom of economic and political life. They allowed the development of economic ideas, and the freedom of economic life without the blight of economic restriction, and cherished the progress of political liberty.

The policy of every nation has been that of selfishness, which when not carefully guarded has frequently resulted in the injury of the nation practicing it. The action of Spain has been most reprehensible in this respect. Her selfish isolated life has not been due entirely to her position, living outside of the trend of European affairs. For the struggle of Spain with the Moors for over eight centuries drew away the nation from other enterprises which would have given it a larger life. The life of the nation was developed through the re-conquest and expulsion of a dominant foreign race. It was this struggle on a common basis of liberty

that unified the various elements of the Spanish nation into a common central government. At an early period of this national existence the liberties of the people were entrusted to the Cortes, composed of the clergy, the greater barons, the lesser barons, the deputies of the towns, except in Aragon and Castile where it was composed of the nobility, the clergy and the representatives of the cities. In the beginning of the sixteenth century the Cortes was a powerful body and assumed to dictate to kings who were mindful of their decrees. Also whole provinces had privileges granted them from time to time which they cherished as marks of freedom. Spain thus had all of the elements of constitutional liberty in her national foundation. Ordinarily the normal outcome would have been the development of enlightened government of the people. But the monarch representing national unity, continually augmented his power at the expense of the liberties of the people. The "time honored institutions" gave place to centralized power—to imperialism. More than in anything else, the destiny of Spain rests in the fact that in securing national unity the rights and privileges of the people were lost.

The evil was greatly augmented by the religious element that entered into national structure. That the reconquest of Spain and national unity were obtained through a religious war had a life-long influence on the destinies of Spain. It set the type of national politics forever, for the church became the instrument through which kings were wont to exercise their arbitrary power. The close union of church and state made political and religious unity identical. Thus did the conservatism and authority of the church become a strong ally to the imperialism of the crown and religious and civil liberty

of the people went out together. It is necessary to refer to the inquisition because at home and abroad it was used to perpetuate imperialism and suppress the natural development of government. This instrument of torture which for a time oppressed the liberties of the people and added to the power of prelate and king, eventually became a blight on the national life and character. If its original purpose was to extend the beneficent influences of the gospel, it became a machine for the enforcement of political and religious obedience. Not only did it prevent the development of free government, but it suppressed the civil liberty of the people, and interfered seriously with the advancement of arts, industry and commerce. He who considers the politico-economic policy of Spain, must reckon with the religious element for the monstrosity of civil and religious despotism extended to the distortion of economic practice. The bigoted political government produced bigoted, arbitrary and ruinous politico-economic and financial policies.

#### COLONIAL METHODS.

Having reached the height of imperial power the Spanish monarchs encouraged exploration, conquest and colonization in America, although in so doing they took great care not to involve themselves in any great expense. For nearly every one of the early expeditions was fitted out at private expense, the king of Spain paying for the same in titles and grants in the new kingdom. Cavaliers and grandees were zealous in conquest and exploration and spent their ducats freely with hope of larger gain in titled rank and territorial grants. The king of Spain now assumed to be the owner of all newly discovered lands and mines and

claimed one-fifth of all treasures gained by exploration. He re-granted the land to his subjects who were in a way his feudal vassals, although formal feudalism was fast passing away. In this, several ideas are involved; first, that the discovered country should be a part of the kingdom of Spain; second, that all revenues arising from the new country should flow into the home treasury; and third, that the colonies when established should contribute to the support of the home government. In order to secure this a perfect monopoly of trade and commerce as well as a system of oppressive taxation was established by the home government. The crown, assuming to be the proprietor of the new lands and desiring to control all trade and commerce of the colonies, found it necessary to force the trade through given channels upon all colonists. The crown having absorbed all the functions of government, assumed the proprietorship of the soil, and essayed to control all industries and trade, a colony established under such a regime could be nothing else than the extension of the royal domain under the imperial power. The new territory was but part of the royal domain of the Spanish monarchs, the laws of the colony were made by the home government, the liberties of the colonists were absorbed by the arbitrary power of bigoted monarchs who considered that colonies were made for the exclusive use of the home government. To such an extent were these principles carried out that they were a thousand times detrimental to the Spanish nation. In seeking to grow wealthy and powerful by the arbitrary control of the sources of wealth and the channels of commerce, Spain crippled her best industries, distorted her best life and prevented a normal development of a modern

nation in which the rights and liberties of the people were recognized and promoted.

In order to carry out these principles and plans, the crown of Spain established two great agencies for the government of colonial America, the more important of which was the "Council of the Indies," which had jurisdiction over all the affairs in Spanish America. After the method of ancient Spanish government this council had judicial, legislative and administrative functions. These departments of government were not so clearly defined as in the modern civil government of England and America. Hence it was that the Council of the Indies could hold court as a judicial body to-day, to-morrow it could sit as a legislative body making laws for the government of the Indies, and all of the time could administer the affairs of the Indian government. Yet it must be remembered that the Council of the Indies was only an agency of the king to merely carry out his own designs. No doubt the Council had force in its deliberations and rulings, yet the king usually exercised the veto power to his purpose or took the initiative in legislative or judicial action. While the chief service was political it exercised a general oversight of all colonial affairs. As before stated, there being no separation between the political and economic phases of national life the body that controlled the general government controlled the common trade and finance of the nation.

However, to especially control trade another organization was formed known as the *Casa de contracion*, or India House, which was established at Seville in 1503. It took complete control of all of the affairs relating to economic life, to trade and commerce. It not only determined the rules of action controlling trade but it had the practical supervision of the trade and commerce ex-

exercised under general laws or decrees of the king. Everything that touched trade, from the loading of a ship to the regulation of ports and the direction of the course of trade, came within its jurisdiction. Its organization included a president, secretary, treasurer and general agent, and three commissioners, as well as other officials and ministers who from time to time might be provided for by law. To illustrate the power of this organization it may be said that the three commissioners were judges of cases involving the violation of laws of trade, and as such became a special department in the judicial system of Spain. Consequently, because trade touched many phases and departments of life, the India House, whose work was largely economic, finally extended its jurisdiction to cover all parts of social, political and commercial life, so far as they related to trade in any way whatsoever. Only in a measure was it subordinate to the Council of the Indies, and many times because of its management of practical affairs was it ten times more powerful.

With this governmental machinery for the control of colonial affairs for the purpose of enabling Spain to gain all the benefit of the wealth of the colonies and to enjoy the whole benefits of trade with them, plans were made for the execution of this gigantic and unnatural scheme. In the first place a rule was made that all trade leaving Spain for the colonies should pass through Seville<sup>1</sup> that a careful account might be given of everything done. Also on the American coast Porto Bello and Vera Cruz were made the receiving and distributing stations, the former for South America and the latter for Mexico, for all goods exchanged between Spain and her colonies. It was as necessary to force all trade into one

<sup>1</sup> Subsequently this monopoly was given to Cadiz.

channel in America as it was to thus force it in Spain. Hence it was necessary to create a government in the colonies typical of the government of the mother country to carry out the formal regulations of the latter. This consisted of a viceroy at the head, supplemented by captains-general, governors-general, audiencias or courts aided by the religious bodies, and the inquisition,—in fact there was created a complete government with the various officers designated for specific purposes. But this government was created by the mother country, controlled by laws of the mother country, officered by the same country all for her own specific, economic, and commercial benefit. Although the home government endeavored in many cases to ascertain the actual conditions of the colonies and to make laws for their benefit, the great distance between them as well as the actual difference of life and conditions between the mother country and her colonies, caused the making of many useless laws which in the end were highly detrimental to both Spain and Spanish America.

In the attempt to make the trade with the colonies yield a direct advantage to Spain, a system of oppressive taxation was established which included a duty of three and a half per cent. of all goods carried, which in 1587 was raised to seven per cent., and again in 1644 it was advanced to twelve per cent. This was merely for the expense of conduct from Spain to America, for as the mother country had undertaken to control the trade its next step was to guard it, to prevent smuggling and piracy. For this police work the government made the traders pay dearly. Besides this there were other taxes on exports and imports for ordinary revenue. Spain had taken the entire monopoly of the carrying trade, had forbidden colonists to buy goods of other nations or

of each other. This not only cut off the colonists from intercourse with other nations but prevented their becoming supports to each other in facing the difficulties of the New World.

To make these regulations still more effective the home government forbade the colonists to raise any products that could be raised at home. Notwithstanding the defective conditions of trade, the real failure of the politico-economic policy of Spain is more evident in seeking to gain wealth out of mines and trade to the neglect of agriculture. In this they followed the theories expressed in the mercantilist doctrine prevalent in the seventeenth century, which sought to gain wealth by exploiting mines, promoting trade and neglecting agriculture.

By this theory the wealth of the community is increased only according as it accumulates a large amount of precious metals and retains the same within its borders. Not content with an attempt to lay extra stress upon the development of trade and mining the home government sought to cripple the attempt of the colonists to carry on agriculture. To favor home producers it was forbidden to cultivate tobacco in the colonies, and in Buenos Ayres the colonists were not allowed to cultivate the olive and the grape for the market. In 1703 it was ordered by royal decree that all vines should be rooted out of certain provinces because the merchants of Cadiz complained of the falling off in the consumption of olives. It was forbidden to raise hemp, flax and saffron in the colonies because it interfered with home industries. In short, the universal principle was adopted, and everywhere and always carried into practice if possible, that whatever colonial occupation interfered with home industry was to be destroyed directly by law or

taxed out of existence. Had the Spanish nation favored agriculture and the colonists been half as zealous to make the fertile soil of the rich valleys of Spanish America yield its treasures of wealth, as they were to plunder the natives and exploit the mines it would have increased the national wealth through permanent resources and changed the destiny of Spain. But in this as in other things Spain persisted in lagging a century behind other nations who knew the value of the products of the soil.

One other persistent element of national failure was the officialism that cursed the Spanish colonies from the establishment of the first settlement in Hispanola until the final withdrawal of the Spanish rule in America. Not content with making the government to rule, and the laws to control, not content with reducing the local government of the colonies to a minimum, Spain insisted in sending out a horde of hungry officials to take all that was left after taxation and restriction had done their worst.

All the laws controlling trade, commerce, agriculture, finance, taxation, the foundation of municipalities, the management of the natives, the control of mines and the regulation of religion, were made in the mother country and sent to the colonies with the expectation that the latter would adapt themselves to the laws. Nor did the decrees of the crown and its agencies stop here, but the home power organized the colonial government, local, and central. To work this machinery of government the officers and rulers were natives of Spain sent out to rule these distant dependencies. During the Spanish domination in America, nearly all of the important offices of the state and church had been filled by Spaniards. The presidents and the judges of the

courts were from Spain. There were only eighteen Americans out of 672 viceroys, captains-general, and governors, and 105 native bishops, out of 706 who ruled in the colonies. This system of officialism continued in all of the colonial possessions of Spain to the close of the present century. It was strangely marked in Cuba and Porto Rico at the time of the occupation of those islands by the United States.

Thus the independent life of the colonies was destroyed and the barriers against development were set up. It was really a strange attitude for a nation to assume, that of making the newly discovered territory a part of the royal domain, to extend over it the system of government practiced by the home government, to supply its officers and courts,—in fact to make it part and parcel of the nation, and then turn against it, to exploit and rob it, as if it were an enemy of the nation. But such a short-sighted policy could only result in prevention of healthy colonial life, and in the final destruction of Spanish power in America.

The establishment of central authority and the attempt to govern arbitrarily the Spanish colonies regardless of their interests proved a burden to the nation that improvised the system. The policy of promoting trade became a means of hindering and destroying it. It established commercial prices and controlled trade, but in so doing it prevented the development of wealth and finally forced commerce into the hands of foreigners. Had freedom of trade been established between the colonies and Spain and other nations, the colonies would have proved a source of permanent benefit to Spain, instead of the means of her downfall. Had the colonial trade been turned over to the world, Spain would have prospered under the greater share of

this trade owing to the prestige she exercised in the New World. As it was, the failure to develop vital and vigorous colonies with an independent life and a wealth-creating power and the repression of wholesome trade brought poverty instead of wealth to both parties. Moreover the colonists, treated as children and slaves under an oppressive officialism, were rendered powerless to defend the mother country in her time of direst need. Thus the corroding rust of selfishness ate out the vital power of constitutional liberty and destroyed not only the political but the economic life of the Spanish nation. The monopolizing of commerce aroused the jealousy of other nations and smuggling became the rule. Spain could not police the high seas with sufficient force to protect her commerce, nor could she prevent the colonists from evading the laws nor the officials from robbery.

The first formal breaking down of the barriers of trade by other nations began through the slave trade. After Las Casas had, in 1517, advised the use of the African slaves in place of the native Indians, a large trade sprang up in negroes brought from the African coasts. In 1516 the slave trade was formally opened by granting to one, Chevis, the exclusive privilege of the carrying trade, who in turn sold the right to a company of Genoese merchants for 2,300 ducats. Subsequently special privileges of this nature were granted to different individuals, some of whom entered into a contract or *asiento* to deliver a certain number of slaves at the different ports of the colonies. This traffic became a source of revenue to the king, for the contracting companies paid a liberal royalty for the monopoly. Finally, in 1713, an English company entered into a thirty-year contract to deliver within this time 144,000 negroes into

Spanish America. Extensive privileges of trade were granted this company in addition to the slave trade, as it was permitted to send one five hundred ton ship laden with merchandise each year during the term of the contract. In the latter provision the king looked out for his own interests, for he was to receive one-fourth interest in the enterprise besides five per cent. of the net gain on the remaining three-fourths. But the grant to trade given this company was the beginning of dissolution of Spanish exclusiveness and restriction. Other nations soon followed England and carried on trade by smuggling when they could not obtain the right by law. The severe laws which inflicted punishment by death and confiscation of property upon all persons caught buying contraband goods were of no avail, for the necessities of the colonies were great. When the Spanish government insisted that all goods sent to Mexico should be sent through Vera Cruz and all goods sent to Buenos Ayres should be sent to Porto Bello and down the Pacific coast to Peru, and thence over the mountains through Brazil to an Atlantic seaport, it was more than human nature, even in the Spanish colonist, could endure and he sought ways to circumvent it.

Desperate efforts were made to prevent smuggling, but the foreign nations continued to furnish, through open trade and by smuggling, goods to colonists at a price so much less than in the ordinary course of the Spanish monopoly, that the carrying trade of Spain declined, the manufacturers were driven to other countries, and the Spanish gold and silver flowed into foreign coffers to satisfy foreign laborers and manufacturers.

It was not until the last half of the eighteenth century that Spain, after nearly two centuries of fatal mismanagement was finally aroused to the real situation. She hast-

ened to change her course so that ships were allowed to depart from the principal ports of the new world, and in 1774 a law was enacted permitting the colonies to trade with one another. Yet Spain still tried to control the trade of her colonies in her own interest and granted only limited concessions to other nations. In 1778 a new commercial law was framed for the control of colonial trade, which proposed to provide for "the free commerce of Spain with the Indies." While this was an improvement, yet with all of the profession of free trade, the system was burdened with taxes, licenses and restrictions upon foreign commerce. But the revival in Spain came too late for politics and economics, for the inertia of mediaeval practices bore Spain forward to destruction. Not only was the trade with the colonies slipping away from the mother country, but her colonies were hopelessly and irretrievably lost to her. In the competition of life, nations as well as individuals have their opportunities, which if rightly used lead on to prosperity and progress. With Spain the remedial measures were inopportune; they came too late.

But if the destructive and selfish policy of Spain ruined her political and commercial institutions, the effect on the colonies was still more deplorable. The prevention of intercolonial trade, and the favoritism of certain ports like Lima, Vera Cruz, Panama, and Porto Bello, at the expense of other more obscure portions of the territory, were destructive to all thoughts of national development. By the excessive tariff on goods, certain obscure colonies were excluded from the enjoyment of the common comforts of life and were forced to begin anew the struggle of civilization along with their savage brethren of the forest. It forced them to live a miserable life without hope, powerless against the ele-

ments of nature and the oppression of bigoted government. The discontent and wretchedness was increased by the effect of the government of the wealthy officials and grandees who ruled with rapacity and cunning over weak populations. Thus did Spain by her ruinous protective policy in agriculture, industry, and commerce, and by the perpetuation of her mediaeval government, destroy trade and manufactures, depress agriculture and cut off all possibilities of rational development of her colonies. Such may be the fate of a nation that blindly and arbitrarily interferes with economic conditions.

How different it is now in the prosperous republics, once the colonies of Spain, though cursed by a benighted policy for three hundred years! Behold the flags of all nations flying in their ports, carrying the best products of England, Germany, and the United States, into every republic, and these by aid of water and rail, carried to the remotest districts of the vast territory once dominated by the Spanish kings. Education, newspapers, electricity, steam, the luxuries of the old world, the investments of accumulated capital of other nations all are rapidly transforming these once antiquated colonies into new and vigorous republics. And the resources of nature, the forests, mines, the fertile soil, and broad pastures, are yielding rich returns to those who are industrious in labor and patient in waiting. While the contrast between the old régime and the new is vivid, while the advancement in the last half of the century has been rapid, and while the ideal conditions of life are not there, except in a few choice locations; still those who have formed the habit of scoffing at Mexico, and the young republics of South America, should cease to scoff, and study and wonder at the rapid transformation, since

their independence, of the marvelous resources of the country, and the bright prospects of the future !

THE FISCAL SYSTEM OF THE EIGHTEENTH CENTURY.

It is easy to infer what the colonial financial system of Spain must have been under the conditions of government like those that have been pictured. That the colonies existed for exploitation by the home government may not have been fully acknowledged but was practically carried out by the methods in vogue. The colonies were managed as a part of the realm and the national government was responsible for their expenditures even as a father is responsible for his minor children. It was but natural that all incomes arising out of the colonies or in any way accruing on account of them should flow directly into the Spanish treasury. The small show of local government demanded little expense and few taxes were collected and expended on local authority. The tax on the imported goods went on increasing from year to year in accordance with the needs of the home government. This tax on exports and imports fell heavily both upon the proprietors and the Indians. In the seventeenth century Spain demanded duties on playing cards, alum, copper, hides, quicksilver, gunpowder, ice, and salt. In addition to this were the duties on silver and gold and *pulque*, a drink used by the natives. The Bull for the crusade was collected every two years of every inhabitant, the *acabala* or the tax on the sale of effects was five per cent. and later increased to fourteen. The duty on the exportation and importation of merchandise (*almajanzazgo*) averaged about fifteen per cent. The tax for the convoy of ships averaged about two per cent. of the value of the freight payable by the importer. But taxation did not stop here for the tax

on the right to coin money flowed into the king's coffers along with one-fifth of the income of mines which was later reduced to one-tenth. Also with these went one-half of the ecclesiastical annates and the king's ninth collected from the bishoprics. Nor did the Indians escape on account of their social differences for each one paid thirty-two silver *reals* each year besides four for the king's service. But this did not include the entire category, for the church came in for the local taxes. The above mentioned were for the king and his government but the clergy took what was left in parish rates, tithes and other forms of taxes by means of which the churches amassed enormous wealth in Spanish America. So great was this later drain that it alone took enough of the wealth from the country for non-productive purposes to prohibit any normal business arising from the rest of the free capital of the country. In brief the financial policy of Spain in the sixteenth and seventeenth centuries was for the government to tax everything to its fullest extent, and the revenue thus raised was to be exploited by its officers from the king down to the *alcalde* of the town. Whatever of income was left was then taken by the church. Thus the colonists paid practically all they had and the national government continued to lose its territory, go in debt and multiply the number of officials and *grandees* with interminable titles.

#### PROGRESS IN THE LAST CENTURY.

The Spanish government made various changes in constitution and laws from time to time and yet the relation of the mother country to the colonists changed but little as respects liberality of trade, commerce, taxation, and officialism. Whatever of improvement took place in

the fiscal system of the home government was eventually tried in the colonies as they were considered provinces of the kingdom or, in fact, parts of the empire of Spain. It was not until the beginning of the present century under the influence of the constitution that the old laws which originated with the Romans and built up through Teutonic and Arabic influence began to decline, and a new scientific classification of the laws began to appear. Nearly a century has been devoted to the organization of the laws and the establishment of a system of a constitutional government in Spain, many of these attempts only increasing the confusion owing chiefly to two facts, one, that in legislation the reorganizers were not clear and positive in repealing the old laws, and second, that the conservatism of the Spanish people made them slow to adopt new methods of procedure. Without referring specifically to the development of the Spanish codes it may be said that after the adoption of the constitution of 1811, frequent revisions of codes have taken place until the final revision in 1888. The present civil code was extended to the Philippines, Cuba and Porto Rico in 1889. The present constitution of Spain was adopted in 1876 and extended to the colonial provinces in 1881. In this organic law provision is made for the government of the colonial provinces by stating that they "shall be governed by special laws: but the government is authorized to apply to them, with the modifications it may deem advisable, and informing the Cortes thereof, the laws enacted or which may hereafter be enacted for the Peninsula." In fact, the Spanish civil, criminal, and commercial codes are the codes in use in the colonial provinces without practical change. Various differences exist in regard to

the application of common and statute laws, but these differences are greater in some of the provinces of the Peninsula than in the insular provinces. The constitution provides for the representation of Cuba and Porto Rico in the Cortes "in the manner determined by special law, which may be different for each of the two provinces." This representation was resumed in 1878 after an interval. The central government also determines "when, and in what manner the representatives to the Cortes from the island of Cuba are to be elected."

The constitution provides further for "Provincial Deputations and Municipal Councils." The law of Spain determines the manner of election of these, but both municipal councils and provincial deputations of each province or town "shall be governed by their respective laws."

This appears like a fair promise of local self-government, but in fact, the government of the peninsula so overshadowed the insular governments that in reality it was the government of the provinces. The following provision in the constitution shows the imperial rule of the monarchy: "said laws, (*i. e.*, of councils and deputations), shall conform to the following principles: 1. Government and direction of the private interests of the province or the town by the respective corporations. 2. Publication of the budgets, accounts and resolutions of the same. 3. *Intervention of the king*, and in a proper case of the Cortes, to prevent the Provincial Deputations and the municipal councils to go beyond the limits of their powers to the *prejudice of general and permanent interests*. 4. Determination of their powers with regard to the budgets, in order that the provincial and municipal budgets may never be in *opposition to the tax system of the state*."<sup>1</sup>

<sup>1</sup> The italics are by the writer.

The tendency of Spanish government has been to make a show of liberality in constitution and in law, but to allow arbitrary usage based on tradition to prevail. It is just this practice that has caused the trouble in Cuba and Porto Rico, principally in the former. With all of the privileges granted by King and Cortes from the ancient decrees found in the *Recopilacion* of the laws of the Indies to the modern codes and constitution, Spain ruled with an iron hand in the colonial provinces and controlled law, government, finances, taxation, everything through a blighting officialism emanating from royal prerogative and more progressive Cortes. Even the famous autonomy government promulgated Nov. 25, 1897, gave ample opportunity for the continuation of the old Spanish régime in the island, should the powers of the peninsula wish to be arbitrary. The whole powers of the government rested ultimately with the governor-general, who was appointed by the crown, or with the Cortes, which could limit or annul the action of insular chambers. It appears from a review of this autonomy government that Spain has no conception of a free government as understood by England or the United States. The imperial authority simply says, "you may *play* free self-government, but let it be distinctly understood that I hold the reins and will tell you *how* to play." No greater subterfuge was ever attempted in politics than the decree of autonomy respecting Cuba by the home government. Subsequent events have rendered it unnecessary to place any importance on the document except to show that the government of Cuba was practically an extension of the government of Spain. While, indeed, there is a distinct colonial budget under the supervision of the minister of the colonies, the pro-

cedure in the colonies is always after the plan of the peninsular government and in reference to its needs.

#### SPANISH FISCAL SYSTEM.

It is, therefore, best to refer briefly to the Spanish financial system as a preparation to a clear understanding of the fiscal system of the colonial provinces. The constitution of Spain provides (title XI, art. 85) that "every year the government shall submit to the Cortes a general budget of the expenses of the state for the following year, and the plan of ways and means to cover the same, as well as the accounts of the accounting and application of the public funds, for their examination and approval." The law provides that this budget shall be made up, not by the ministry as a body, but by each minister making an estimate of the annual expenses of his department, which goes finally before the council of ministers for discussion. It is also necessary to propose plans for raising the revenue to meet the expenses before the budget is completed and referred to the Cortes.

The budget of expenditures is divided into two parts: first, the general obligations of the state, and second, the obligations of the departments of ministers. The first part is again subdivided into expenditures of (1) the royal household, (2) legislative bodies, (3) public debt, (4) charges of justice and indemnities, and (5) annuities and pensions. The second part is divided into (1) presidency of the council of ministers, (2) foreign affairs, (3) war, (4) marine, (5) justice, (6) interior, (7) public works, (8) finance, (9) expense of collecting taxes, and (10) the colony of Fernando Po. The budget of receipts represents six chief resources of income, as follows: (1) taxes, (2) imposts, (3) customs, (4) government monopolies, (5) properties and rights belonging to the state and (6) the public treasury. Each item of the budget is discussed

in both houses of the Cortes before an agreement is reached.

In order to provide revenue to meet the necessary expenditure an elaborate system of taxation prevails, as outlined in the six main heads above. Taxes are laid upon real estate and agriculture, industry and commerce, and the transmission of property, on consumption, salaries of government officials, railway tickets and transportation, and certificates of fidelity, tax on imports, exports, loading and unloading ships, travelers, quarantine dues, and colonial produce; on commercial paper, and stamped goods, tobacco, salt, lotteries, etc. Besides this the revenues are increased by income from the state tobacco monopoly, the rental of quicksilver mines and other state property, the payment for exemption from military services, and from the mint and the postoffice. These are the principal sources of revenue, but there are other items, such as money left to be expended for the repose of the soul, on which there is a tax of 12 per cent. It is interesting to note that the tax on industries varies according to the locality, the population being a great item in determining this and the nature of the occupation. According to a mediæval custom the taxpayers arrange themselves into companies according to their occupation and determine the proportionate amount of the total to be raised in a given district by a given occupation by each individual. That is, the guild or *gremio* is made responsible for the total amount at so much per capita. A guild may assess a number not more than eight times as much, or one-eighth as much as the average per capita rate. This custom of holding guilds or groups of people of a given occupation responsible for a certain amount of revenue is practiced in the colonial provinces in a more or less systematic manner.

## THE BUDGET OF THE COLONIAL PROVINCES.

The system of raising revenue in the colonial provinces is similar, almost identical, with that of the Peninsula. The sources of revenue are about the same and the method of assessment and collection of taxes vary but little from those of the Peninsula. The expenditures are along the same general lines and with the exceptions of the colonial government they run about the same. The budget is made up in the colony and sent to the home government for approval. The system of taxation is very oppressive on account of shifting of the excessive export, imports, consumption and business taxes and the evasion of many of the direct taxes by those who have the opportunity. Part of the income goes to Spain for the support of the colonial ministry and a part to the departments of navy and war, and other important expenditures of the general government. Thus the estimates in Cuba for the fiscal year 1888-1889 were 26,356,731.41 pesos (60 cents), of this amount 22,500,808.59 pesos represented the sovereignty expenses, and the balance of 3,855,922.82 pesos was for local government. There is an insular treasury into which revenues flow, and only a part of this amount is sent to the treasury of Spain, the rest is spent in Cuba carrying on that part of the government which is under the direction of the Spanish government. It includes expenditures for

(1) Interest on the public debt and general Ex.	12,574,709.12 pesos <sup>1</sup>
(2) Justice and religion.....	329,072.63
(3) Expenditure for war.....	5,896,740.73
(4) Expenditures for navy.....	1,055,136.13
(5) Executive government.....	2,645,149.98
Total .....	22,500,808.59 pesos

<sup>1</sup> Spain has a colonial ministry for the control of the general affairs of the colonial governments.

Of the balance of the budget the local government estimates are for the following purposes :

(1) General expenses .....	159,605.50 pesos
(2) Justice and religion, charities and corrections ..	1,612,859.44
(3) Treasury .....	708,987.51
(4) Public instruction .....	247,033.02
(5) Public works and communication .....	1,036,582.10
(6) Commerce, agriculture, industry .....	108,178.52
Total .....	3,873,237.09 pesos

Of the general expenditure for the local government of the island, the large part, 133,380 pesos, goes for the support of the colonial legislature. But the largest items of public expense are the lower, ecclesiastical and territorial courts and police, the collection of taxes, the management of the treasury, public works, etc. The sources of revenue to meet these expenditures were :

Taxes and imposts .....	pesos 6,142,500 net
Custom house receipts .....	14,705,000
Internal revenue .....	1,640,650 net
Lotteries .....	1,900,500
Income rent of State property .....	112,000
Income sales .....	323,000
Miscellaneous (claims, coinage, accounts,) .....	1,536,000

The method of making out the budget in Porto Rico, as well as collecting and expending revenue, vary but little from the method in Cuba. The budget approved by the Cortes at Madrid, Nov. 8, 1898 is as follows :

#### GENERAL BUDGET.

##### ESTIMATES OF EXPENDITURE.

General obligations .....	498,501.60 pesos <sup>1</sup>
Justice and religion .....	423,818.80
War .....	1,252,377.76
Treasury .....	260,800.00
Navy .....	222,668.20
General government, interior .....	878,175.83
Total .....	3,536,342.19 pesos

<sup>1</sup> Including expenses of colonial ministry.

These expenditures were to be met in the following manner :

Taxes and imposts .....	576,200 pesos
Custom house receipts .....	3,132,900
State monopolies .....	184,200
Property of the state .....	9,300
Miscellaneous revenue .....	36,900
Total .....	3,939,500 pesos

#### BUDGET OF THE PROVINCIAL DEPUTATION.

##### EXPENDITURES.

Administration .....	71,860.00 pesos
Lottery .....	23,180.00
Beneficencia .....	50,116.00
Miscellaneous .....	76,105.48
Post and telegraph .....	171,506.00
Sanitation .....	38,748.00
Public instruction .....	125,195.00
Public works .....	662,079.00
Colonization .....	3,910.00
Total .....	1,217,700.00 pesos

A review of these budgets will show at once the nature of the fiscal system, as to the methods of raising revenue and the expenditure of the same. It shows how great a factor the government of Spain was in the colonial system.

A careful examination of the affairs of Cuba and Porto Rico prior to the occupation of the United States reveals the fact that Spain had not abandoned her ancient methods and had not departed from the principles and practice of a colonial policy presented in the first part of this paper. The governor-general an emanation from the Spanish crown had a large appointive power which he used to the fullest extent. The provincial and municipal governments had some privileges but they were not practised. The municipalities including towns and the surrounding country had the privilege of

electing a mayor and council through a vote of the people. But as the population of the towns was in excess the councilmen and mayor always came from the town where the Spanish element was in control, so that native Spaniards nearly always held the power. More than this the governor-general nearly always appointed all of the municipal employees and *alcaldes*. The law provided that the council should choose these if the governor-general did not wish to do so. The municipal government which made a show of local independence could do but little without the consent of the central government, which was immediately subversive to Spanish rule. While it was provided that the council should regulate hospitals, jails, and police, among other municipal duties, it must all be referred to the governor-general for his approval. While the council and mayor must make up the budget containing estimates of receipts and expenditures it must be referred to the insular government and incorporated into the annual budget of the island which must be referred to the Cortes of Spain for its approval.

In the provincial government the same conditions existed so far as the power of the governor-general was concerned. He appointed nearly all of the officers and removed them at his will. It is true that the legal voters could elect members of the provincial deputations, also the deputies representing Cuba in the Cortes at Madrid. An excessive poll tax of \$25 reduced the representative voters to 53,000 at one time, and reduced the representatives of Cuba to three members out of a total of 430 at Madrid. The whole tendency was to make the representation of the insular governments in the cortes of the Peninsula merely formal and valueless. One-half of the senators sent to the upper house of the

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The customs duties of the insular governments represent the largest source of income for the central governments. The ancient principle of restriction is carried on to the detriment of both the crown and the colonial provinces. The goods from Spain were favored by a differential rate or tariff, placed upon foreign goods, making them much higher than those shipped from Spain. It is strange that after over three centuries of practice Spain could not yet have learned the evil results of such a policy! American, German, French, Belgian, and English goods were shipped under the Spanish label. Even American flour was sent across the ocean to Spain and returned to Cuba in order to avoid the excessive tariff. The result was to cheat the islands out of legitimate revenue and to furnish a poor class of goods at enormously high prices. (It is hoped that the United States in its first experience with insular provinces will not fall into the same error). The drain on the islands was excessive, for nearly everything consumed was imported. In addition to the loss in this direction a system of smuggling was carried on not only by outside parties but by the customs officials themselves, by means of which foreign goods were introduced and the benefits derived divided between the smugglers and the merchants, the consumers still paying enormous prices for the same. This ruinous policy was carried on in the supposed interests of the Spanish government. The tariff or revenue thus raised has been called the "sacred patrimony of the Spanish nation," and it has been officially and legally declared that the Cuban tariff has been conducted in the interests of Spain. The taxation on consumption has always been a grievous tax. It is of antiquated form and no longer in practice in the best systems of local taxation. The tax on business is

Cortes were elected by the commons. The commons have the disposal of the government, and a good understanding of the entered fortunes were the chief riches, and especially and well understood. The unity not to be

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the bad methods employed and because the revenues were expended to support officialism and the home government rather than to be devoted to the development of the resources of the colonial provinces.

#### THE PUBLIC DEBT.

The public debts of colonial provinces have practically been assumed or guaranteed by the peninsular government. Practically the colonial government as stated before, is a part of the central government, and should be treated as are the provinces of the peninsula. Whenever the Spanish government has imposed a debt exclusively upon any colonial government it has done so arbitrarily, as such debt belongs to the general government, and the colonial province should be made responsible for its share of the payment, only as a part of the Spanish territory and government. In case of the Cuban debt this principle should be strictly applied. This debt arose on account of war, the deficits arising from bad administration and the impoverishment on account of bad fiscal laws. It is estimated that the debt prior to the insurrection of 1895, amounted to upwards of \$170,000,000. The greater part of this arose out of the ten years revolution extending from 1868 to 1878. Prior to this Cuba was forced to pay interest on debts made through international difficulties with Peru, Mexico, San Domingo and other states. Through an adjustment in 1879, these debts were consolidated and placed in charge of the Colonial Bank of Spain at Barcelona. The amount of these debts, \$5,000,000 charged to the Cuban treasury was assumed by Spain and absorbed into the general debt at that time. It has been customary for the general government to assume as part of its legitimate obligations all expenses incurred in

putting down insurrections and rebellions occurring in its different provinces. The national government always assumed that the war in Cuba was only a revolt against the Cuban government. Hence, while Cuba bore the great burden of suppressing the insurrection, it was Spain's business to conquer the insurgents, subdue her own rebellious subjects, and then pay for the war as any other nation would expect to do under similar circumstances. Instead of doing this Spain saddled the debt upon Cuba under the guarantee of the Spanish government. Cuba has been paying annual interest on this debt ever since, while Spain has been spending the millions raised in Cuba in other ways than the liquidation of debts or the improvement of the island. The debt has been added to from time to time by deficits in the government accounts. From any reasonable constitutional interpretation, or from any logical conclusion on the precedents or practices of Spain and other nations, the debt did not belong to Cuba, but was Spain's own, which should be met by taxing the resources of all Spain and Spanish possessions, including Cuba.

The insurrection of 1895-1898 involved other expenses of the Spanish government, which, under the circumstances of the intervention of the United States, should be borne by Spain alone, as the treaty involved no settlement other than this. Whatever fell directly to the insular government, the provinces and municipalities, or to the insurgent government, must be met with no reference to Spanish authority. Spain imposed the debt upon Cuba simply because it was possible to do so. It was a continuation of that policy of exploitation which has characterized her colonial policy from the beginning.

## CONCLUSION.

There is no other case on record where a nation through a long period of years failed to learn any lessons in the management of colonial affairs, but pursued blindly to the bitter end a policy highly ruinous to both home and colonial government. Each succeeding struggle brought renewed stubbornness and special attacks of blindness in regard to the rights and privileges of a free people. The whole system of pretended local government was a farce and imperialism extended to the remotest bounds of the colonial province. Viewed from one standpoint the colony was a part of the central government and was controlled by hordes of royal officers; viewed from another, it was a territory to be used, robbed, a matter of convenience; the rights and privileges of whose inhabitants the central government was in no way bound to respect. The colonial policy of Spain was made up of an oppressive commercial policy, a ruinous and oppressive industrial policy, a destructive political policy, a defective and unjust financial policy. Unjustly holding to these methods, Spain's colonial domain has been reduced from that of a vast empire to a few islands of about 5,000 square miles in area. Spain's colonies have gone and with them the most extensive system of colonial laws and colonial government in the history of the world, unless it be that of England with her enlightened colonial system.

FRANK W. BLACKMAR.

## THE DANISH COLONIAL FISCAL SYSTEM IN THE WEST INDIES.

### INTRODUCTION.

The Danish West Indies rank among the lesser colonial establishments of the world, but a study of their history and administration is of value not only because of the present interest of America in the future destiny of the islands, but also because we have in them one of the best examples of a liberal colonial policy developed to meet difficult conditions and maintained with unfaltering resolution by the home government, even in the face of an inevitable financial loss.

These islands lie just east of Porto Rico as the advance guards of the Lesser Antilles. St. Thomas, which is within forty miles of American territory, is about thirteen miles long and three wide, with an area somewhat less than an American township and a population of fifteen thousand, nine-tenths of whom are colored. St. John is a little island with but a thousand inhabitants, which lies under the lee of St. Thomas and forms part of the same administrative district. St. Croix, or Santa Cruz, lies to the southeast of Porto Rico and about forty miles directly south of St. Thomas, and contains some seventy-four square miles, of which no less than sixty-eight are tillable. The population of the island is nineteen thousand, mostly colored, and, as in the other islands, the English language is the common tongue. St. Thomas is noted the world over for its excellent harbor, while St. Croix is almost purely an agricultural island whose products of sugar, rum and molasses have made its name familiar to all.<sup>1</sup>

<sup>1</sup> See Hill, "Cuba and Porto Rico," etc., 308-317; Fiske, "The West Indies," 295-301.

These islands are held by Denmark as a heritage of the great colonial movement of the seventeenth century. As early as 1612, the first Danish East Indies Company was organized, and before 1701 the fourth great Danish company, that of the West Indies and Guinea, was chartered and given a monopoly of the trade of the Gold Coast, consisting mainly of ivory and of slaves destined for St. Thomas. A few years previously, in 1671, Christian V. had sent a little expedition to the Antilles to occupy in his name the island of St. Thomas, an acquisition considered of small importance at that time, but soon to become by the force of circumstances a great depot for contraband merchandise on its way to the Spanish American possessions. In 1719 the little island St. John was occupied, and in 1733, by session from the court of France, the island of St. Croix was acquired. The company, however, abused its monopoly and was dissolved in 1754, the king purchasing all of its establishments for 2,200,000 crowns and reimbursing the shareholders.<sup>1</sup>

Upon the dissolution of the company, the trade of the islands was thrown open to all citizens of Denmark and the prosperity of the colonies developed with great rapidity.<sup>2</sup> The wars of Europe, in the midst of which Denmark maintained a neutral position, contributed to the importance of the islands, and the neighboring colonies had frequently to look to St. Thomas for slaves and other supplies. Whether the mother country ever derived any marked advantage from the possession of the islands may well be questioned. A distinguished French authority, M. Leroy-Beaulieu, is inclined to the opinion that the depression of home industries consequent upon

<sup>1</sup> Bonnassieux, "Les Grandes Compagnies de Commerce," 436-441.

<sup>2</sup> Smith, "Wealth of Nations," II., 78.

the investment of needed capital in the colonies more than counterbalanced the meager returns secured thereby.' However that may be, a study of the recent financial administration of the islands demonstrates not only that no material advantage has accrued to Denmark from her American possessions in the last few years, but that the maintenance of her dominion over the islands has cost her dearly. And one may well question whether a country so remote, without great commercial interests to be subserved by their retention, can ever give so liberal and enlightened an administration to these islands as that maintained by Denmark without being called upon to face as heavy, if not heavier financial losses from year to year.

The fundamental law which has determined the administrative relations between Denmark and her West Indies possessions was adopted Nov. 27, 1863. With slight modifications the provisions of this law have continued to govern those relations down to the present, although strenuous efforts have been made from time to time to adopt radical amendments, the last important attempt in this direction being made in 1897. The law itself consists of some eighty-six articles, and may very justly be described as a complete code of Danish colonial administration.<sup>2</sup>

Primarily all matters of legislation are in the hands of the Rigsdag, but with the exception of the obligation upon the home treasury to pay certain prior existing indebtedness and changes in the law itself, the law-making power is given to the king, and two colonial councils, one for each commune, to be exercised by them

<sup>1</sup> "De La Colonization chez les Peuples Modernes," 4th ed., 184.

<sup>2</sup> Coloniallov for de dansk-vestindiske Oer. (J. H. Schultz, Copenhagen, printer.)

through ordinances, the Rigsdag retaining a right of approval or rejection, and requiring the submission of such laws to it at earliest convenience (sec. 1 and 2). The governor of the islands may under extraordinary circumstances publish provisional orders, but these must always be presented to the colonial council concerned, at its next ensuing meeting, so far as the matter requires determination by law, and they must be further referred through the ministers to the Rigsdag (sec. 4).

The administrative authority over the islands is exercised by a governor under the superior charge of a responsible minister, by agreement with instructions given by the king (sec. 5). The superior court of the kingdom is the high court of appeal for the islands. Until an appeal from the decree of the colonial courts is decided, the appellant must abide by the determination of the local authority (sec. 6). The power of appointment of administrative officials is vested in the king, but the appointment of certain inferior officials may be delegated to the governor (sec. 9). The king has the right to remove all appointive officers except the judges, but all officers removed without cause have a right of pension accorded them by the laws.

For administrative purposes the Danish West Indies are divided into two superior districts: the first consisting of St. Croix and the islands immediately adjacent, and the second of St. Thomas and St. John, with the islands adjacent thereto. The colonial governor is the immediate over-superior in that district where he resides, while in the other a vice-governor performs the functions of an over-superior<sup>1</sup> (sec. 10). In the hands of the governor are placed extensive powers over the administration. He is to see that the laws are exe-

<sup>1</sup> The governor now exercises the functions of vice-governor also.

cuted, that the subordinate officials fulfill their duties, and he may suspend for crime an officer appointed by the king (sec. 11) but must thereupon bring action against such officer before the courts. He is commander-in-chief of the armed forces, and in case of urgent need may declare the islands in a state of armed siege and exercise unlimited authority (sec. 12).

Each of the two superior districts forms a separate commune, and for each a colonial council is provided to assist in the control of the economic and financial affairs of the commune in the manner hereafter set forth (sec. 13). In St. Croix thirteen councillors are chosen by the people from electoral districts, and five are appointed by the king; in St. Thomas and St. John eleven are chosen by the people from three electoral districts and four are appointed by the king (secs. 14, 15 and 16). The councillors serve four years, one-half retiring every second year, and no restriction is placed on their reelection (sec. 17). The franchise is exercised by all male citizens twenty-five years of age who own property in the commune of an estimated annual rental of \$75 in St. Croix and St. John, or of \$150 in St. Thomas, or who have had in the previous year a net income of \$500 (sec. 17). A residence is required in the commune of two years and in the electoral district of six months, and the voter's name must be inscribed on the electoral registry (sec. 18). All citizens who have the franchise are eligible to nomination for membership in the council, but the governor and the secretarial officers are made ineligible (sec. 19). The elections are under the supervision of a justice of the peace and two other citizens, one appointed by the over-superior and the other by the council of the commune (sec. 21, 32). Elaborate provisions obtain for the con-

trol of registration and the conduct of elections (sec. 33-35).

Each colonial council is required to meet every other month at a fixed date determined by the governor for the year<sup>1</sup> (sec. 36). The governor may dissolve either council, but this power may not be exercised more than twice in two years and the new council must be convened within two months after the dissolution (sec. 36). The governor may attend the sessions in person or by deputy; and all communications to either council must be through the governor or vice-governor respectively (sec. 37). Each council appoints its own officers (sec. 38) and determines its own rules of procedure with the sanction of the governor; a quorum consisting of one-half of the members elected (sec. 40). The use of both Danish and English is authorized in the deliberation of the councils and the journals are kept in both languages, the preference being given to the Danish in case of doubt as to the interpretation of the journal (sec. 39). The initiative in legislation is given to any member, and to the governor or vice-governor whenever he chooses to exercise the right (sec. 41). Each council has a qualified control over the elections and discipline of the elective members (sec. 46). The councillors are true representatives, not responsible for their votes to their constituents (sec. 48). In cases concerning laws applicable to both communes or such other matters as may require such proceedings, the colonial councils may, at the proposal of the governor, refer the same to a joint committee consisting of equal delegations. The matter recommended for such proceedings must, however, first have been laid before each council, and the final decision

<sup>1</sup> It must be noted that the governor in all these matters is immediately subject to the responsible minister of the home government.

thereon be taken by it so far as its interests are concerned (sec. 42).

#### FINANCIAL ORGANIZATION.

By the law of 1863, a separate colonial treasury was established in each commune (sec. 49). All revenues collected by the authorities in either commune are to go into the colonial treasury of that commune, and those that are collected by the superior administration are to be turned into the appropriate colonial treasury (sec. 51). The general charges to be assumed by the colonial treasuries in common are as follows: 1st, for the superior colonial administration 12,600 rigsdalers<sup>1</sup> (sec. 54); 2d, all expenses of the supreme court of the districts except \$200; 3d, all pensions for royal officials in the islands whose salaries are a common charge; 4th, all military expenditures for the collective garrisons; 5th, all other expenditures incurred in common for the islands. These general charges are to be divided equally between the communes, except that military expenses are to be apportioned according to the number of men who have served during the previous year (sec. 53).

All local charges are assumed by the treasuries of the communes. These include the expenditures for the colonial council, the local judiciary and police, the clerical department, the customs and harbor and pilot charges, postal and telegraph department, public roads, public instruction, sanitation, fire protection, care of the poor and of the prisons, and certain miscellaneous charges for public buildings, etc.

The provisions relating to the budget now demand our immediate notice. The law of 1863 required the over-superior to present to the colonial council a plan of

<sup>1</sup> Amount equals \$6,753.

budget with a detailed exhibit of the probable revenue and expenditures of the given colonial treasury for the year following. With regard to the items of the budget not included in the existing laws or rules, the plan for including them must be presented in the form of an ordinance to the council, and when passed by that body be submitted to the superior authority within the time fixed by law. If during the course of the financial year, questions arise concerning any expenditure from the colonial treasury that has not been included in the budget, a supplementary grant is required. The annual budget as well as supplementary grants are to be presented to the king for his sanction, and after being confirmed, they are to be published and presented to the Rigsdag at its next following session (sec. 58). No tax can be levied, increased, modified, or abolished except by ordinance in the manner provided by law (sec. 59).

No measures touching the economic affairs of the commune can be effected by the governor or over-superior, nor can any expenditure from the colonial treasury be directed without the consent of the colonial council, either through the regular or supplementary grants, unless such measure or expenditure is based on existing laws, ordinances, or royal resolutions, or unless circumstances render immediate action necessary before the assent of the colonial council can be obtained. In the latter case the action must be ratified at the next regular or special session of the council, which must make a supplementary grant to cover the expenditure in question (sec. 60). In accordance with the preceding section none of the properties and invested funds belonging to the capital stock of the commune can be disposed of, nor can any loan be raised without the consent of the colonial council. Moreover in cases of more

than general importance, as in the disposal or mortgage of the property of the commune and the incurring of other than temporary loans to be paid from the annual revenue, the sanction of the governor, or according to circumstances, that of the minister must be obtained to render such resolution valid (sec. 61). If the majority of either of the colonial councils shall refuse to ratify the expenditure for any work which it is the legal duty of the government to carry on, the governor may enter a protest against such resolution, and upon refusal of the council to heed his protest, he may present the case through the minister to the king. Under such circumstances, the provisions of the previous budget are to be followed until the conflict is determined by royal decree (sec. 62).

The law of 1863 provided for the audit of accounts annually by two members of each colonial council appointed by the respective council. The annual draft of accounts is presented to the colonial council concerned and extracts are published. The council has power to examine the accounts through a special committee, which may command all necessary information, and upon the discovery of errors its duty is to present the matter to the king through the ministers (sec. 64, 65).

#### REVENUE AND EXPENDITURE.

The sources of revenue as seen from an examination of the budget are both direct and indirect taxes. But a small part of the revenue is collected from the various direct taxes. The budget of St. Thomas and St. John for 1899-1900 calls for \$28,700 from direct taxation out of a total of \$95,520; that of St. Croix of \$40,380 out of a total of \$154,865. The principal direct tax is the ground and building tax, which the budgets respectively

look to for \$10,000 and \$15,600 for the current year. The authorities endeavor to keep the amount collected from direct taxation constant by imposing supplementary taxes when necessary. The financial and commercial conditions of the island preclude any hope of increasing the revenue from this source for many years to come.

The main source of revenue is therefore from indirect taxation. The customs code of St. Thomas and St. John differs radically from that of St. Croix—a difference due to the fact that the importance of St. Thomas is yet primarily commercial, while that of St. Croix is agricultural. By the ordinance of October 23, 1885, concerning custom house and ship dues applicable to St. Thomas<sup>1</sup> there was imposed a uniform impost duty of 2 per cent. of the value of the goods at the last place of exportation, including all costs and charges incurred in placing the goods free on board.<sup>2</sup> An amendatory ordinance of April 14, 1893, raised the impost duty to 3 per cent. and abolished the light house dues of 1 cent per ton of the burden of vessels of 50 registered tons and upwards.<sup>3</sup> The export duties of St. Thomas and St. John by the ordinance of October 23, 1885, are 5 per cent. on sugar produced in the islands and 1 ½ cents per gallon on rum and molasses, all other goods being exempt from export charges.<sup>4</sup> The exemptions from import duties under the ordinance of October 23, 1885, include: (a) Fresh

<sup>1</sup> For ordinance of 1885, see U. S. *Consular Reports*, Feb. 1886, No. 61, pp. 463-468; *Bulletin International des Douanes*, No. 110, Brussels, Feb. 1895.

<sup>2</sup> Ordinance of 1885, ch. I, sec. 2.

<sup>3</sup> *Bulletin International des Douanes*. Supplement to No. 110. The limit of ordinance of April 14, 1893, was two years, but by virtue of an ordinance of Feb. 15, 1895, it was continued in force for an additional term of 5 years, to commence April 1, 1895.

<sup>4</sup> Ordinance of October 25, 1885, ch. I, sec. 3.

fruit and vegetables; printed books and papers; coal; mules and asses; and wearing apparel, furniture, etc., that are brought in by the owner, who has already used them and for his personal use. (b) Agricultural implements; casks, hoops, staves and headings; machinery for producing sugar, rum and molasses; provided they are all to be used in the islands. (c) All goods on which duty has been paid in St. Croix; and all productions of other Danish West India islands, provided they are transported in Danish vessels. (d) All goods imported for the public service, for the account of the Danish state treasury or the Danish West India colonial treasuries.<sup>1</sup> In order to encourage the use of St. Thomas as a port of distribution, the ordinance of 1885<sup>2</sup> exempted from import duties all goods remaining on board a vessel and carried away thereon and all goods transhipped from vessel to vessel and not destined for St. Thomas or St. John, provided such goods were so specified in the bills of lading or in special reports.<sup>3</sup> The amendment for April 14, 1893, authorized the government to grant free of duty and subjected to the control of the customs department bonded storage in private warehouses for goods that are imported with the intention of being re-exported to the country of their origin, and the duty must be paid on the expiration of that period; but the government may upon application grant an extension of the privilege for one year each time. Of the ship dues which furnish so important a part of the revenue of St. Thomas, the rate per ton discharged or laden is 15 cents for vessels of 20 tons burden or less, 50 cents for those of 50 tons or upwards, and 25 cents for other vessels.

<sup>1</sup> Ordinance of October 23, 1885. ch. I, sec. 2.

<sup>2</sup> *Idem.*

<sup>3</sup> *Bulletin International des Douanes*, supplement 6, No. 110, sec. 2.

Sailing vessels under the Danish flag between the Danish West India Islands pay 2 cents for each ton of entire burden, provided they load or discharge at least one ton of goods; while Danish steamers in the same trade pay 2 cents on each ton discharged or laden.<sup>1</sup>

The tariff applicable to St. Croix is that of June 30, 1850, with amendments made from time to time.<sup>2</sup> The import duties are both specific and ad valorem. Specific duties, varying from 60 cents per 100 lbs. on wheat flour to \$1.25 per 100 lbs. on meats, are levied on all the main articles of food. On other goods, the duty is either 5 per cent. or 12½ per cent. according to an elaborate schedule containing no less than 263 separate items. In general the exemptions are the same as those given for St. Thomas, with a similar provision for trade between those islands and St. Croix.<sup>3</sup> The export duty on sugar from St. Croix is 5 per cent., and on rum and molasses 3 per cent., if shipped to Denmark whether exported in Danish vessels or in foreign vessels enjoying the same privileges as national vessels. If exported in other foreign vessels for whatever port, the duty is 10 per cent. on sugar and 6 per cent. on rum and molasses. In case export duties on these articles have been paid in St. Thomas or St. John, when they have been taken to St. Croix for re-exportation, the receipt for duties paid entitles the shipper to a corresponding reduction. All other goods, whether the produce of the island or not, may be exported free of duty.<sup>4</sup>

As has already been indicated, the indirect taxes furnish most of the revenue of the islands. By the budget of 1899-1900, the customs duties were calculated to produce \$19,000 of \$95,520 gross revenue of St. Thomas and St. John, and \$88,800 of \$154,865 gross revenue of

<sup>1</sup> Ordinance of October 23, 1885, ch. II, sec. 5.

<sup>2</sup> *Bulletin International des Douanes*, No. 120.

<sup>3</sup> Revised Ordinance of 1850, sec. 4-6.

<sup>4</sup> *Idem.*, sec. 7.

St. Croix. Of the other taxes regarded as indirect, St. Thomas and St. John estimate no less than \$23,500 from ship dues and harbor and pilotage charges for the corresponding year, while the St. Croix budget places but \$5,330 to the same account. The revenues of St. Thomas and St. John are also greater than those of St. Croix in the case of other indirect taxes, due to the relatively superior position of St. Thomas as a port of entry and a commercial distributing point for the other islands.

As has already been stated, the direct taxes of the islands are relatively unimportant as sources of revenue. The budget of St. Thomas and St. John for 1899-1900 estimates a revenue of \$28,700 from these sources, of which \$10,000 is accredited to the ground and building tax, \$6,700 to the house tax, \$7,300 to the trade tax, \$3,100 to the lamp tax, and \$1,600 to the horse, carriage, and boat tax. In St. Croix for the corresponding years, the estimate of revenue from direct taxation is \$40,380, the main items of which can be seen by a glance at the budgetary exhibit. While these direct taxes are relatively small, they have furnished a very uniform revenue for many years. Whether under any conditions they could be advantageously increased is uncertain, but the present financial and commercial condition of the islands seems to preclude any change that would bring about such a desired result.

Of the expenditures of the islands, the budgets for 1899-1900 show that the superior administration costs \$14,525 for St. Thomas and St. John, and \$14,625 for St. Croix. The judiciary and police account calls for \$29,980 in the former, and \$24,524 in the latter. The largest item of expense, and one that has occasioned the most complaint on the part of the inhabitants, as responsible for the annual deficit is that for military expenses, which is set for the current year at \$28,899.25

for St. Thomas and St. John, and at no less than \$51,588.75 for St. Croix. The increase of the military establishment subsequent to the insurrection of 1878 is acknowledged by all to be necessary for the proper policing of the islands, but the citizens have felt that it is a burden that should be borne by the home government—a contention that might well be sustained if the forces maintained served any other purpose than to meet the local needs. As the situation looks at present, it will be impossible for the direct or indirect taxes to be so reformed as to bring in more revenue, and the government will have to face an annual deficit so long as the islands remain under Danish control.

The underlying assumption of the law of 1863 was that by the arrangement set forth the Danish West Indies would become after April 1, 1865, financially independent, so that by their own power they would meet all the expenditures required by local necessities and the cost of the control of the motherland as well. It was assumed that they might also contribute in no small degree to the royal treasury of Denmark. Indeed, the law of 1863 specifically provides for an annual contribution of \$28,000 from St. Thomas and St. John for a period of ten years. St. Croix was to be free from such contribution for the same period, but thereafter an annual contribution was contemplated from each colonial treasury, the amount of which was to be fixed by law (sec. 56). It was further provided that the amounts in cash belonging to the state treasury in the islands should be gradually turned back to the home treasury as fast as the surplus might warrant, but for the purpose of transition the minister of finance was authorized to allow an adequate portion of such amounts to be retained in each of the colonial treasuries until sufficient cash of their own had been accumulated, and to permit payment of colonial expenses from the home treasury when nec-

essary, such outlays to be properly charged to the colonial treasury concerned (sec. 57).

As seen by Table III, the hope of aid to the state treasury from colonial revenues proved delusive, as in three only of the ten years did the revenue of St. Thomas and St. John exceed their fixed expenditures, and the total net deficit during the ten years subsequent was nearly \$16,000. In no year since 1879 has there been a surplus in St. Thomas and St. John, but the deficit has steadily increased until in some years it has reached as high as \$90,000. In St. Croix the financial history has been similar, the deficit in certain years amounting to no less than \$100,000. In 1871 the expenditures of the governor and over-superior were assumed by the royal treasury as a check upon the growing indebtedness of the colonies to the motherland. At that time the indebtedness of St. Thomas and St. John to the home treasury was only \$51,153, while that of St. Croix was \$71,856. Since that time, as shown by Table IV, there has been a steady increase in the amount, so that on March 31, 1898, the indebtedness of St. Thomas and St. John was no less than \$1,045,418, and that of St. Croix \$984,124, besides which from certain special loans St. Croix had an additional indebtedness to the home treasury amounting to no less than \$238,012 on March 31, 1897, the interest on which she has been unable to pay since 1884.

The reasons for the financial decline of the islands, as set forth by the council of St. Croix, are: the continual drought and poor crops for several successive years; the increase of the military expenditures after the insurrection of 1878; the increase of the poor rates and the pension charges, and the impossibility of levying increased taxes, either direct or indirect, to meet these

conditions.<sup>1</sup> Back of all this, of course, has been the economic decline of the colonies, an evidence of which is the decrease of one-half in the value of real estate in twenty years. The true cause seems to be found in the decline of the sugar industry, due to European competition and the inability of the inhabitants to readjust their agricultural industry to the new conditions.<sup>2</sup> The commercial importance of St. Thomas has fallen from another cause also, in that it has ceased to be the main distributing port for the neighboring islands, a position which it so long held before the era of steamships and cables.<sup>3</sup> These causes are radical and it does not seem possible, therefore, that the islands will ever again assume the industrial and commercial standing which they formerly held.

From time to time changes in the fundamental law have been suggested so that the Danish Royal treasury should assume the burden of military expenditure and thus relieve in part the annual deficit. The latest and most sweeping proposal was made in 1895-6 by the Danish government, with the hope that it might be accepted by the colonies so as to go into operation April 1, 1897. By this proposal the existing colonial treasuries were to be abolished and two communal treasuries established. The home government was to assume the major portion of the expenses of each colony, and such a portion of the revenue that each communal treasury might show a small surplus balance.<sup>4</sup>

In brief the scheme of the government provided that all the indirect taxes as enumerated in the budgeting

<sup>1</sup> "Forslag til Lov om Forandring e Koloniallov for de dansk-vestindiske Oer," (J. H. Shultz, Copenhagen, 1897,) pp. 3-10.

<sup>2</sup> See Crowell, "The Sugar Situation in the Tropics," *Political Science Quarterly*, XIV : 606.

<sup>3</sup> Hill, R. T., "Cuba and Porto Rico," etc., 313-314.

<sup>4</sup> Forslag til Lov om Forandring i Koloniallov for de dansk-vestindiske Oer. (J. H. Schultz, Copenhagen, 1897.)

exhibits in Tables I and II, except the export dues, the crantage and wharfage fees, harbor and pilot fees and the dues on burger briefs, together with a part of the sundry revenues, were to be surrendered by each colony to the home treasury. The colony of St. Croix was also to give up the major part of the revenue from direct taxation on lands and buildings. In return the home treasury was to assume all the expenses of the superior administration, those of the governor's office and of the higher courts, the salaries of the minor administrative officers, all the pension charges, and all salaries and expenses of the military department, of justice and police, of the custom house, and of the clerical aid; and part of certain minor expenses, such as for public instruction and for building improvements.

A trial exhibit of this scheme published by the government based on averages from 1884-5 to 1888-9 showed that the home government would receive in St. Croix about \$87,410 of revenue and in St. Thomas and St. John about \$75,572, and in return would assume expenditures amounting in the first case to \$136,962 and in the second to \$131,773, leaving a deficit in each case to be paid from the home treasury of over \$50,000. The expenditures of the treasury of St. Croix was reduced to some \$65,401 and that of St. Thomas and St. John to \$52,954; the revenues in each case being sufficient to show a small surplus.

In other words, the Danish government considered that as it was inevitable that the annual colonial deficit would finally come upon the state treasury, a readjustment would be advisable, whereby the home treasury would assume to pay the annual deficit, which now amounts to nearly \$150,000, and at the same time control the revenues and expenditures as set forth above.

Notwithstanding the inducement that the indebtedness of the colonial treasury to the home treasury would be cancelled, and that within the limitations imposed, each colony would have its own independent budget, the measure failed of colonial approval mainly on the ground that it appeared to be an abrogation of the home rule principle.

In the petition of the colonial council of St. Croix to the government with regard to the matter, after enumerating the causes of the economic decline of the islands, the memorial states that the present condition of an annual deficit which cannot be met from the colonial treasury calls for some radical remedy. "This condition," says the council, "cannot otherwise than weaken the feeling of respect and independence of the colonial council, and it is highly desirable that heavier burdens be not imposed on the colonial treasury than it can bear." But in the view of the council, the effect of the bill would be to deprive that body of all rights of legislation in matters not purely commercial, and thus take away from the commune some of the most important powers that it now exercises. The contention of the ministry that the administration of the colonial communes would be brought into line with that of the Danish communes is answered by allusion to the fact that the latter have representatives in the Rigsdag and that the proposed law would deprive the colonial councils of their present right to present opinions to that body with regard to bills that would affect the administration of the islands. In other words, the colonial council, by a large majority insisted that if a change were to be made it would be unadvisable to lessen the privileges of the colonies as a recompense for the bounty of the home government.

CHARLES W. TOOKE.

TABLE I.  
BUDGETARY EXHIBIT OF ST. THOMAS AND ST. JOHN—1893-1900.

REVENUES.		1893-94	1894-95	1895-96	1896-97	1897-98	1898-99	1899-00
		ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	BUDGET.	BUDGET.
<i>A. Direct Taxation.</i>								
1. Ground and Building Tax		\$ 10,409	\$ 10,293	\$ 10,138	\$ 9,656	\$ 9,734	\$ 10,100	\$ 10,000
2. House-Tax		6,955	6,979	6,898	6,209	6,656	6,800	6,700
3. Trade-Tax		7,120	3,996	10,041	7,984	7,075	7,700	7,300
4. Lamp-Tax		2,480	1,706	3,189	3,184	3,028	3,300	3,100
5. Horse, Carriage and Boat-Tax		1,431	787	1,647	1,537	1,837	1,300	1,600
TOTAL		28,395	23,762	31,913	28,600	28,329	29,200	28,700
<i>B. Indirect Taxation.</i>								
1. Custom-dues and Fees		24,718	19,666	18,720	20,045	18,102	20,020	19,020
2. Ship and Light-house Dues		19,800	17,611	19,249	17,935	16,762	18,000	18,000
3. Revenues, Harbor and Pilot Dep't.		5,551	5,325	5,182	5,414	5,856	5,400	5,500
4. Vendue Fees and percentages		611	792	984	1,439	749	1,000	1,000
5. Dues on Recorded Transfers of Property		45	120	98	75	80	100	100
6. Tax on Inheritances		1,022	2,839	419	232	316	600	600
7. Fees, Court, Police, etc.		7,464	7,748	6,514	6,634	5,194	7,200	6,200
8. Postal Department		13,154	10,179	19,086	11,252	10,913	12,000	12,000
9. Rum Licenses		1,250	1,398	1,170	1,106	1,056	1,200	1,100
TOTAL		73,556	65,677	71,424	64,132	59,037	65,520	63,520
<i>C. Sundry Revenues.</i>								
		3,670	3,492	5,984	3,321	3,655	3,000	3,300
TOTAL REVENUES		\$105,621	\$ 92,931	\$109,321	\$ 96,053	\$ 91,021	\$ 97,720	\$ 95,520

EXPENSES.									
<i>A. Contribution to the General State Expenses.</i>									
<i>B. Superior Administration.</i>									
1. The Government	10,502	11,949	12,196	11,162	11,300	12,400	12,400		
2. The Upper Court	1,924	2,111	2,133	1,907	2,127	2,135	2,125		
	1,546	1,372	1,437	1,276	1,219	1,398	1,398		
<i>C. Colonial Council.</i>									
<i>D. Administration and Public Institutions.</i>									
1. Officers of Administration	5,961	5,918	5,953	5,943	5,986	5,975	5,965		
2. The Judiciary and Police	29,562	29,439	27,357	26,376	26,012	29,980	29,980		
3. Clerical Dept't	1,350	1,350	1,350	1,350	1,284	1,350	1,350		
4. Customs Dept't	6,062	6,105	6,103	6,136	5,151	6,218	5,400		
5. Harbor and Pilot Dept't	6,228	6,162	6,160	6,108	6,171	6,371	6,371		
6. Post and Telegraph	13,186	25,553	17,940	11,905	14,241	16,200	17,300		
7. Military	30,806	27,720	27,212	28,741	30,001	28,914	28,899		
8. Fire Dept't	2,864	2,829	2,714	2,702	2,728	3,042	3,042		
9. Streets and Roads	10,083	10,335	10,628	10,422	11,422	11,532	11,132		
10. Public Instruction	9,618	10,133	9,676	9,594	9,395	10,008	10,008		
11. Sanitary Dept't	15,090	14,328	14,158	14,581	14,235	14,590	14,900		
12. Poor Dept't	4,221	4,480	4,248	4,470	4,589	4,950	5,000		
13. Prison Dept't	2,845	3,003	2,777	3,286	3,903	3,350	3,350		
<i>E. Building, etc., Expenses.</i>	13,637	14,724	10,347	10,806	10,023	10,740	10,715		
<i>F. Pensions</i>	8,296	7,487	8,585	8,483	10,231	11,027	10,351		
<b>TOTAL EXPENDITURE</b>	<b>\$173,783</b>	<b>\$185,197</b>	<b>\$170,944</b>	<b>\$165,249</b>	<b>\$169,122</b>	<b>\$180,170</b>	<b>\$179,686</b>		

TABLE II.—BUDGETARY EXHIBIT OF ST. CROIX 1893-1894.

REVENUES.		1893-94	1894-95	1895-96	1896-97	1897-98	1898-99	1899-00
		ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.
<i>A. Direct Taxation.</i>								
1. Ground Building Tax		\$15,985	\$14,688	\$15,314	\$15,141	\$15,311	\$15,000	\$15,600
2. House Tax		2,044	1,972	2,019	1,915	1,887	1,900	1,900
3. New Tax		5,812	5,027	5,578	5,206	5,157	5,100	5,100
4. Immigration Tax		5,000	4,173	5,020	4,600	5,000	4,600	4,600
5. Cavalry and Artillery Tax		3,854	2,796	3,324	3,020	3,061	3,000	3,000
6. Absentee Tax		2,000	1,724	1,456	1,597	1,500	1,500	1,500
7. Horse, Carriage and Boat Tax		5,555	4,572	5,691	5,977	5,600	5,500	5,500
8. Quarter per cent. Tax		1,717	1,400	1,614	1,614	1,600	1,500	1,500
<b>TOTAL A</b>		<b>41,940</b>	<b>36,557</b>	<b>40,992</b>	<b>39,160</b>	<b>41,015</b>	<b>40,500</b>	<b>40,500</b>
<i>B. Indirect Taxation.</i>								
1. Import Duty and Fees		61,102	60,796	56,792	67,039	66,975	66,000	65,000
2. Export Duty		31,166	27,516	19,975	32,217	27,340	20,000	20,000
3. Ship Dues		4,157	3,659	3,627	1,439	1,311	1,000	1,000
4. Coasting and Wharfe		4,097	4,464	3,767	6,756	6,350	6,000	6,000
5. Harbor and Pilot Department		1,601	1,753	1,660	1,140	1,116	1,000	1,000
6. Stamp Dues		2,183	1,641	2,753	1,406	2,311	1,000	1,000
7. Vindue Fees		311	450	114	555	100	100	100
8. Fees on Indenture		27	175	413	1,660	316	200	200
9. Fees (Court, Police, etc.)		6,000	6,397	6,334	6,420	6,000	6,000	6,000
10. Post Office Department		3,502	3,859	3,607	3,006	3,007	3,000	3,000
<b>TOTAL B</b>		<b>114,965</b>	<b>109,975</b>	<b>97,661</b>	<b>125,367</b>	<b>119,461</b>	<b>105,000</b>	<b>111,000</b>
<i>C. Sundry Revenues.</i>								
1. Fines and Confiscations		206	251	450	319	359	315	375
2. Revenues from Pyramids		695	1,550	656	797	375	000	675
3. Interest on Capital Invested		765	1,201	715	715	650	000	650
4. Rindry Revenues		600	960	1,007	1,155	790	000	765
<b>TOTAL C</b>		<b>2,266</b>	<b>3,015</b>	<b>2,822</b>	<b>3,155</b>	<b>2,554</b>	<b>2,775</b>	<b>2,465</b>
<b>TOTAL REVENUES</b>		<b>\$159,666</b>	<b>\$150,547</b>	<b>\$142,594</b>	<b>\$165,583</b>	<b>\$162,741</b>	<b>\$148,275</b>	<b>\$154,065</b>

EXPENSES.

*A. Contribution to General State Expense.*

*B. Superior Administration.*

1. The Government

2. The Upper Court

*C. Colonial Council*

*D. Administration and Public Institutions.*

1. Officers of Administration

2. Judiciary and Police

3. Clerical Department

4. Customs

5. Pilot and Harbor Department

6. Post and Telegraph

7. Military

8. Militia and Fire Department

9. Roads and Streets

10. Public Instruction

11. Sanitary Department

12. Poor Department

13. Prison Department

14. Contribution to Immigration Fund

*E. Divers Expenses.*

*F. Building, etc., Expenses.*

*G. Pensions*

*H. Interest on Loan of '79*

*I. Interest for Central Factory*

TOTAL EXPENDITURE

11,103	11,917	11,245	10,879	11,261	12,225	12,300
2,116	2,302	2,839	2,107	2,329	2,325	2,325
1,235	1,236	1,203	1,206	1,242	1,220	1,220
5,828	5,661	5,703	5,613	5,699	5,742	5,742
24,559	24,546	24,816	24,393	24,043	24,670	24,524
3,768	3,818	3,818	3,818	3,818	3,818	3,818
14,052	14,030	13,771	13,288	13,283	13,303	13,303
1,865	1,924	1,731	1,645	1,683	1,886	1,750
4,523	4,664	4,680	4,818	4,772	4,484	4,484
52,521	49,319	49,081	51,087	51,518	51,332	51,589
697	757	880	777	894	1,049	1,034
1,294	1,323	1,273	1,258	1,292	1,385	1,385
11,936	12,302	12,346	12,351	12,079	13,009	13,003
22,198	21,903	24,325	25,552	25,736	23,120	23,070
10,994	11,884	10,620	10,980	11,118	10,900	10,900
9,713	9,321	9,360	8,520	8,681	9,081	9,081
6,000	6,000	6,000	6,000	6,000	6,000	6,000
1,988	2,044	2,037	1,639	1,692	1,893	1,993
6,404	8,381	5,816	6,340	7,250	12,590	7,050
6,126	5,048	4,988	5,397	5,170	4,920	7,127
					*6,241	*6,241
					*45,276	*45,276
\$198,922	\$197,579	\$196,038	\$197,669	\$199,561	\$256,470	\$253,215

\* These items appear in all recent budgets but have not occasioned actual expenditures for some years.

TABLE III.—EXHIBIT SHOWING THE SURPLUS OR DEFICIT IN ST. CROIX AND ST. THOMAS AND ST. JOHN FOR SELECTED YEARS FROM 1866 TO 1898, IN THOUSANDS OF DOLLARS.

	<i>St. Croix (A).</i>				<i>St. Thomas and St. John.</i>			
YEAR.	Revenue.	Expense.	Surplus.	Deficit.	Revenue.	Expense.	Surplus.	Deficit.
1865-66	\$193	\$179	\$ 11	-----	\$211	\$201	\$ 10	-----
1870-71	206	225	-----	\$19	215	189	26	-----
1875-76	296	340	-----	43	203	205	-----	\$ 2
1880-81	170	199	-----	29	177	204	-----	27
1885-86	150	200	-----	50	140	186	-----	46
1890-91	151	202	-----	51	112	174	-----	62
1891-92	114	197	-----	83	106	173	-----	67
1892-93	143	199	-----	56	101	174	-----	73
1893-94	160	199	-----	39	105	174	-----	68
1894-95	150	197	-----	47	93	185	-----	92
1895-96	142	196	-----	54	109	171	-----	62
1896-97	166	198	-----	32	96	165	-----	69
1897-98	162	199	-----	37	91	169	-----	78

(A). It is to be noted that in the case of St. Croix no interest charges are included in the actual expenditures, as that commune has not paid any interest on its indebtedness to the home treasury since 1884-5. This amount, which really belongs to the deficit, has been set forth in the budget for several years at \$51,517 annually.

Cf. Table II, last line.

TABLE IV.

## INDEBTEDNESS OF COLONIAL TREASURIES TO STATE TREASURY.

RUNNING ACCOUNTS.		RUNNING ACCOUNTS.	
ST. CROIX.		ST. THOMAS AND ST. JOHN.	
March 31.—Thousand Kr. = \$268.			
1866	244		298
1867	77		213
1868	19		207
1869	—51		276
1870	108		317
1871	257		183
1872	125		211
1873	160		162
1874	157		167
1875	112		120
1876	258		187
1877	370		262
1878	347		289
1879	159		244
1880	575		298
1881	737		391
1882	911		541
1883	964		655
1884	1,027		709
1885	1,246		829
1886	1,404		1,025
1887	1,616		1,226
1888	1,822		1,358
1889	1,938		1,562
1890	2,024		1,707
1891	2,198		1,855
1892	2,386		2,129
1893	2,592		2,420
1894	2,848		2,647
1895	3,046		2,980
1896	3,245		3,222
1897	3,484		3,526
1898	3,672		3,901

<sup>1</sup> St. Croix is further indebted to the home treasury by special loans for government sugar factory, etc., to an amount on March 31, 1897, of 885,091 Kr. or \$238,012, including interest, which has been unpaid since 1884-1885.

## FINANCES IN THE BRITISH WEST INDIES.

At present the British West Indies,<sup>1</sup> together with British Guiana, present the most serious problem in colonial finance with which the government of the Empire has to deal. Not even the fiscal difficulties of India are more perplexing or more urgent. The smaller islands have, as a rule, large debts and chronic deficits, while it is impossible—so the Secretary of State for the Colonies asserts—either to cut down their expenditures without abandoning necessary medical and educational services, or to raise their rates of taxation without decreasing their receipts. Either Imperial relief must be afforded or the colonies must be allowed “to fall into anarchy.”<sup>2</sup> Such is the financial difficulty. Underlying it is an industrial difficulty—the decline of West India sugar. As to the causes of that decline there may be dispute, but there is none as to the fact. The Royal Commission on the West Indies, in the comprehensive and able report which they submitted in October, 1897,<sup>3</sup> summed up their conclusions to the effect that “There is, at present, no prospect of any considerable and permanent rise in the price of sugar in the ordinary course of events. The cost of producing sugar . . . could in many places be reduced, but the prospect of profit is not such as to induce capitalists generally to supply the necessary funds. . . . Wages and salaries have already been re-

<sup>1</sup> That is the Bahamas, Jamaica with its dependencies, the Leeward Islands (Virgin Islands, St. Kitts, Nevis, Anguilla, Antigua, Montserrat and Dominica), Barbados, the Windward Islands (St. Lucia, St. Vincent and Grenada) and Trinidad with Tobago.

<sup>2</sup> Rt. Hon. Joseph Chamberlain in Committee of Supply, 14 March and 2 August, 1898, 3 Hansard, 54:1538-1547; 63:871-899.

<sup>3</sup> “Report of the West India Royal Commission.” London: Stationery Office, 1897. (C. 8655). The commissioners were Sir Henry Norman, Sir David Barbour, and Sir Edward Grey.

duced, and no further economy can be expected in respect of them. . . . Under present conditions therefore the prospect of the sugar industry is the gradual abandonment of the weaker estates, a process which has already begun. . . . There is every reason to believe that a very serious condition of things is rapidly approaching in Your Majesty's West Indian possessions, and that the crisis will be reached in a very few years."<sup>1</sup>

The Commission therefore recommended measures designed to develop other lines of agriculture in the islands, especially fruit raising. To this end they advocated, first of all, the settlement of the laboring population as peasant proprietors. They proposed, further, the establishment, at the expense of the Imperial Exchequer, of a Department of Economic Botany in the Windward and Leeward Islands. They likewise recommended an imperial subsidy for fruit steamers to New York, and perhaps to England, and the establishment of cheap and frequent interinsular communication. Finally, they argued for economical administration and strict limitations upon the borrowing powers of the colonies. But they were unable to approve the suggested consolidation of the governments of the West Indies as a whole. The recommendations of the Commission were approved by the home government,<sup>2</sup> and moneys looking to their execution were accordingly supplied by the House of Commons on 14 March and 2 August, 1898.<sup>3</sup>

The policy of imperial grants in aid of local revenues in the West Indies thus inaugurated<sup>4</sup> introduces a mo-

<sup>1</sup> Report, pp. 16-17.

<sup>2</sup> Rt. Hon. Joseph Chamberlain, Secretary of State for the Colonies in 4th Hansard, 63:879, 898, 2 August, 1898.

<sup>3</sup> 4th Hansard, 54:1538-1584; *do.*, 63:871-974.

<sup>4</sup> Grants in aid had been made before, *e.g.*, of £15,000 to Dominica in February, 1896, and to Jamaica in 1846. But they did not become a settled policy until 1898.

mentous innovation in British colonial finance. It is true that assistance has been extended, upon frequent occasions, to protectorates like Basutoland, British Bechuanaland and Uganda, and even to Cyprus. But the general understanding has been that British colonies, when once thoroughly established, should support themselves without such assistance as French and German colonies receive. Such has long been the expectation of the government concerning the West India colonies; and it cannot be asserted that that expectation has been altogether abandoned even now. On the contrary, Mr. Chamberlain says, "we hope that they may in the future be self-supporting." But he adds that "at present it is absolutely impossible for them to do anything beyond" what they are already accomplishing,<sup>1</sup> and he is careful to warn the Commons that "unless circumstances materially alter we shall have to come to the House—any Government will have to come to the House—again and again for some time to come for further grants."<sup>2</sup>

It is an obvious corollary of such continued grants in aid that henceforward the Imperial Government should exercise in the colonies aided "a regular control over their taxation and expenditure,"<sup>3</sup> just as it was a corollary of their previous fiscal self-sufficiency that the colonies should decide for themselves how and for what they would pay. But the new system has been too short a time in operation to make it clear, as yet, just how the increased budgetary control of the Colonial Office is to be exercised. In Trinidad and the Windward Islands, to be sure, the matter is simple. There

<sup>1</sup> 4th Hansard, 63:883, 2 August, 1898.

<sup>2</sup> 872.

<sup>3</sup> Henry C. Buxton, 4th Hansard, 54:1554, 14 March, 1898.

appropriations and ways and means are both determined by the Governor and his appointed council, and no political complications are involved. But the other West India colonies have "representative institutions" to which they are attached—in the case of Barbados the assembly dates from Charles I—and they will be loth to give up that control of the public purse to which they are accustomed. Their unwillingness is well illustrated by a recent incident in Jamaica. The present Legislative Council of that island dates only from 1884, but throughout fourteen years of its brief existence the elected members were left in a majority by the Governor's deliberate neglect to appoint the full authorized number of nominated members. Early in 1899 the Council as thus constituted refused, by the unanimous vote of the elected members present, to pass certain estimates. The Governor thereupon declared their passage to be "of paramount importance to the public interest" and accordingly nominated to the four places theretofore unfilled four men who would give him a majority in the Council. His action awakened a storm of protest throughout the island, but it was approved by the Colonial Office<sup>1</sup> and led to a compromise whereby the elected members agreed to the desired legislation upon condition that the Governor withdraw his appointments. The four nominees thereupon resigned, leaving the elected members once more in a majority. It seems pretty clear that some machinery involving less friction must be devised if the Imperial Government is to exercise a regular control over the taxation and expenditure

<sup>1</sup> "Correspondence relating to the public finance and resources of Jamaica, February, 1899." London, 1899, 24 pp. (C. 9177.)

"Further correspondence relating to finances and government of Jamaica, July, 1899." London, 1899. 31 pp. (C. 9413.).

of these colonies that have been accustomed to manage—and to mismanage—their own finances.

It may be that when such machinery is devised some degree of uniformity will be introduced into the financial systems of the several colonies. But as yet those local solutions—adequate or inadequate—of the problems of revenue and of expenditure, which were reached by each colony for itself, have been but little modified by Imperial intervention. If, therefore, there is found throughout the West India colonies a certain general type of taxation, that type prevails not because it has been forced upon the colonies by London, but because it is the logical outcome of their situation, their population, and their industrial character.

As to situation, the colonies are either small islands or coast land; their traffic is almost altogether sea-borne, and of local origin or destination. There is no transit-trade worth mentioning. These facts in themselves suggests the appropriateness of taxing their imports and exports. Further all of them except the northern Bahamas lie within the tropics and are devoted almost exclusively to agriculture. With the exception of gold in British Guiana and asphalt in Trinidad, none of them has any mines worth mentioning. There are no fisheries of importance except the "sponge fisheries" of the Bahamas, and no manufactures except that of the ubiquitous rum. Among their agricultural crops the sugar cane occupies the first place, over half the aggregate exports from the islands (if we exclude Jamaica, over three-fourths from the rest) consisting even now of sugar, molasses and rum.<sup>1</sup> Upon the export of these articles, of fruits and of a little coffee the British West Indies are chiefly dependent for their supply of such imported necessities as

<sup>1</sup> "Report of the W. I. Royal Commission," p. 3.

textiles, clothing, flour, fish, tools and machinery. In the present depression of the sugar industry in the islands it is obvious that their sugar can no longer sustain the handicap of an export duty.<sup>1</sup> The alternative of import duties on what the sugar buys has accordingly been adopted by all the colonies.

The agricultural population of these colonies consists mostly of blacks and colored persons. The climate and soil and their standard of living are such that they seldom find themselves in pressing want of food beyond what a small "provision ground" spontaneously supplies, or of shelter beyond what a very simple hut will afford. Even their clothing is inexpensive, and as they generally exhibit considerable improvidence they do not long retain such small amounts of money as they have occasion to handle. It is, therefore, only with extreme difficulty that direct taxes can be collected from them. For example, in the year 1897-98 there were issued in Jamaica no less than 32,951 warrants for the seizure and sale of property in satisfaction of defaulted taxes, though the total receipts from the direct tax on houses and lands were only £82,183,<sup>2</sup> out of aggregate public revenues of £681,043. Under such circumstances it is not surprising to find that the customs duties are supplemented almost exclusively by indirect forms of taxation such as rum excise, business licenses, and stamps.

A nearer view of the fiscal system of these colonies is

<sup>1</sup> Dominica still has an export duty, and British Guiana has a royalty on gold, most of which is exported. In 1896 British Honduras experimented with an export duty on logwood, but soon gave it up.

<sup>2</sup> "Report on the finances of Jamaica," by Sir David Barbour, July, 1899. London, 1899, VII, 44 pp. (C. 9412.) §§ 30, 73, 75. It should be added that only 227 of the warrants led to actual sales, their issue apparently serving as a way of dunning delinquent taxpayers.

best based, perhaps, upon a somewhat detailed account of one of them. For that purpose, I have chosen Jamaica, the largest and richest of them all, and the colony possessing the most varied agriculture. It is in consequence less dependent upon sugar than the other islands, or British Guiana, and has suffered less by the fall in that commodity ensuing upon the increase of the beet sugar bounties in 1896. After describing the finances of Jamaica, I shall add a few words comparing the other colonies with it, and pointing out the reasons why they make an even stronger claim for Imperial relief.

The colony of Jamaica, exclusive of its "dependencies,"<sup>1</sup> contained, at the census of 1891, 639,491 inhabitants upon an area of 4,207 square miles. It is thus somewhat smaller than Connecticut, by which it is slightly exceeded in population, and a trifle larger than Porto Rico, which has nearly fifty per cent. more people. Jamaica is by much the most important of the British West Indies, exceeding in area all the British islands lying to the south of it, and almost equalling them all in population. Less than fifteen thousand of the inhabitants are whites. After the disturbances of 1865, Jamaica was brought under crown government and many reforms were effected. Schools were established, the judiciary reorganized, and those medical and sanitary services were devised to which the island owes its present exceptionally low death rate among the West Indies. After 1884, when the Legislative Council was given control of the finances, improvements were carried on with a lavish hand. In March, 1889, there were 790 miles of main roads under the Department of Public Works. In De-

<sup>1</sup> Viz. : the Turks, Caicos and Cayman Islands, the Morant and Pedro Cays. None of these lies adjacent to the Jamaican coast. They have together less than 10,000 inhabitants and are financially independent of Jamaica.

cember, 1897, there were 1879 miles. Meanwhile the parochial roads had been extended from 2300 to over 4000 miles.<sup>1</sup> Governor and Council seem to have shared the delusion that there was no bottom to the public pocket. Hotels were subsidized by a guarantee of 3 per cent. on their cost, which aggregated £48,000. In 1889 a contract was made virtually guaranteeing three and one-half per cent. on a million and a half sterling of bonds of the Jamaica Railway Co. issued to pay for unprofitable extensions. In addition £700,000 was borrowed for unproductive public works.

For a time the revenues almost kept pace with the expenditures. The fruit trade, in particular, was expanding, and exports increased from £1,280,000 in 1885-6 to £1,983,000 in 1893-4. Such prosperity caused large imports, and customs grew from £247,745 to £320,976, excise from £80,455 to £127,479, total receipts from £557,309 to £746,068.<sup>2</sup> In 1894 the reaction set in. Trade languished and revenues fell off. Customs declined to £282,751 in 1897-98, excise to £104,961, total receipts to £628,481. Expenditures exceeded revenues by £186,182. The Railway Company failed to earn its interest, and in 1890-1900 the colony will have to add to its expenditures almost £40,000 on account of its guarantee.<sup>3</sup> Under such circumstances it was natural that differences of opinion should rise both as to the proper line of retrenchment and as to the best means of increasing the revenue. The Legislative

<sup>1</sup> Report of Jamaica, 1896-97, pp. 48, 50.

<sup>2</sup> This latter sum amounted to about \$5.66 per capita, a rate of taxation which a country like Jamaica cannot sustain indefinitely.

<sup>3</sup> Barbour's Report, § 13. 12 April, 1900, the Supreme Court of Jamaica ordered the winding up of the Railway Company, vesting the same in the government. The first mortgage bondholders will receive Jamaica inscribed stock bearing 3½% interest.—*Journal of Commerce*, 14 April, 1900.

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## FINANCES IN THE BRITISH WEST INDIES.

At present the British West Indies,<sup>1</sup> together with British Guiana, present the most serious problem in colonial finance with which the government of the Empire has to deal. Not even the fiscal difficulties of India are more perplexing or more urgent. The smaller islands have, as a rule, large debts and chronic deficits, while it is impossible—so the Secretary of State for the Colonies asserts—either to cut down their expenditures without abandoning necessary medical and educational services, or to raise their rates of taxation without decreasing their receipts. Either Imperial relief must be afforded or the colonies must be allowed “to fall into anarchy.”<sup>2</sup> Such is the financial difficulty. Underlying it is an industrial difficulty—the decline of West India sugar. As to the causes of that decline there may be dispute, but there is none as to the fact. The Royal Commission on the West Indies, in the comprehensive and able report which they submitted in October, 1897,<sup>3</sup> summed up their conclusions to the effect that “There is, at present, no prospect of any considerable and permanent rise in the price of sugar in the ordinary course of events. The cost of producing sugar . . . could in many places be reduced, but the prospect of profit is not such as to induce capitalists generally to supply the necessary funds. . . . Wages and salaries have already been re-

<sup>1</sup> That is the Bahamas, Jamaica with its dependencies, the Leeward Islands (Virgin Islands, St. Kitts, Nevis, Anguilla, Antigua, Montserrat and Dominica), Barbados, the Windward Islands (St. Lucia, St. Vincent and Grenada) and Trinidad with Tobago.

<sup>2</sup> Rt. Hon. Joseph Chamberlain in Committee of Supply, 14 March and 2 August, 1898, 3 Hansard, 54:1538-1547; 63:871-899.

<sup>3</sup> “Report of the West India Royal Commission.” London: Stationery Office, 1897. (C. 8655). The commissioners were Sir Henry Norman, Sir David Barbour, and Sir Edward Grey.

duced, and no further economy can be expected in respect of them. . . . Under present conditions therefore the prospect of the sugar industry is the gradual abandonment of the weaker estates, a process which has already begun. . . . There is every reason to believe that a very serious condition of things is rapidly approaching in Your Majesty's West Indian possessions, and that the crisis will be reached in a very few years."<sup>1</sup>

The Commission therefore recommended measures designed to develop other lines of agriculture in the islands, especially fruit raising. To this end they advocated, first of all, the settlement of the laboring population as peasant proprietors. They proposed, further, the establishment, at the expense of the Imperial Exchequer, of a Department of Economic Botany in the Windward and Leeward Islands. They likewise recommended an imperial subsidy for fruit steamers to New York, and perhaps to England, and the establishment of cheap and frequent interinsular communication. Finally, they argued for economical administration and strict limitations upon the borrowing powers of the colonies. But they were unable to approve the suggested consolidation of the governments of the West Indies as a whole. The recommendations of the Commission were approved by the home government,<sup>2</sup> and moneys looking to their execution were accordingly supplied by the House of Commons on 14 March and 2 August, 1898.<sup>3</sup>

The policy of imperial grants in aid of local revenues in the West Indies thus inaugurated<sup>4</sup> introduces a mo-

<sup>1</sup> Report, pp. 16-17.

<sup>2</sup> Rt. Hon. Joseph Chamberlain, Secretary of State for the Colonies in 4th Hansard, 63:879, 898, 2 August, 1898.

<sup>3</sup> 4th Hansard, 54:1538-1584; *do.*, 63:871-974.

<sup>4</sup> Grants in aid had been made before, *e.g.*, of £15,000 to Dominica in February, 1896, and to Jamaica in 1846. But they did not become a settled policy until 1898.

approval, a table of cost prices and of specific duties per cwt. actually paid upon "fourteen articles, food-stuffs and necessities of life, which the people in Jamaica can only get at a fair living price from the United States." The average rate of duty is therein shown to be fifty-four per cent. If we leave out of account matches and kerosene, which occupy an anomalous position, the rate for the rest is thirty-two and a half per cent., which is probably a more typical average. Put in another way, duties of £282,751 were collected in 1897-98 upon total imports valued at £1,674,380 or an average of about 17 per cent. upon all imports, including those on the free list. As most of Jamaica's imports are the necessities of her agricultural population it is obvious that these duties, in so far as they tend to raise the cost of living beyond that prevalent in the islands with lower tariffs, handicap her in competition with her neighbors.

Next in importance to the import duties is the excise, consisting chiefly of the rum duty. By law 10 of 1875, as amended by law 8 of 1890, it is a tax of six pence per gallon upon all rum or other spirits distilled in the island and sold for consumption. The rum tax is very sensitive, falling off rapidly with a decline of general prosperity. The excise includes also a cigar and cigarette tax which produced £4,500 in 1897-98. But this is so hard to collect and is thought to interfere so seriously with a growing industry, that Sir David Barbour favored its abandonment.

The stamp taxes, which are numerous, follow the general lines of the English stamp duties, taxing commercial paper, deeds, leases, mortgages, customs warrants, bills of lading, probate of wills, and all sorts of insurance policies. A complete list of the rates is given in the "Jamaica Handbook."

There is no general property tax in Jamaica, but no less than seven taxes or "rates" are levied upon various forms of real property. First there is a quit rent of one penny per acre upon patented land. The yield in 1897-98 was £7,349. Second, there is an acreage tax upon agricultural land, differing with the sort of agriculture pursued. The rate is three pence per acre on all land under cane, coffee, ginger, cotton, tobacco, cocoa, vegetables, bananas, coconuts or ground provisions, three half-pence upon guinea grass, three farthings upon common pasture or pimento (the tree that bears the commercial "allspice"), and one farthing on wood or "ruinate" (land exhausted by ginger culture). This tax is obviously unfair, and is said to be much evaded. It produced in 1897-98 but £5,404. Third, there is a holdings tax (law 17 of 1890 and law 11 of 1891) as follows:

Holdings less than 5 acres	2s	200 to 500 acres	20s
Holdings of 5 to 10 "	3s 4d	500 to 800 "	30s
" 10 to 20 "	4s 8d	800 to 1000 "	36s 8d
" 20 to 50 "	5s 4d	1000 to 1500 "	53s 4d
" 50 to 100 "	6s 8d	over 1500 "	60s
" 100 to 200 "	10s		

A plot of less than one quarter of an acre is exempt if there is a house upon it. If one person has various holdings within the same parish aggregating not more than five acres they are treated as one holding. In some cases the tax works great inequalities. Sir David Barbour found one land owner who paid but 60s. in respect of 3900 acres, while sixty of his tenants holding from one-half to one acre each and occupying scarcely one per cent. of his land paid twice as much as he. The total yield of the holdings tax in 1897-98 was £11,309. Fourth, there are a number of house taxes. These are called by different names and are appropriated to differ-

ent purposes, but they are all levied upon the same principle. For purposes of assessment houses are divided into three classes: (*a*) houses of the annual value of four pounds and upwards; (*b*) huts in provision grounds, used as a temporary shelter, the owner having another residence in respect of which he pays rates; (*c*) other houses. Houses of class *a* are taxed at an amount determined by reference to their annual value. Classes *b* and *c* are taxed a specific sum. In practice this division of the houses into classes is purely arbitrary, for it is quite impossible to ascertain the annual value of a house in the country where no houses are ever rented. Upon the three classes of houses as thus determined there are levied four general taxes, in addition to the municipal water, fire and gas rates of Kingston. These general taxes are: the poor rate, the sanitary rate, the rate for general parochial purposes, and the school rate. The first three vary from parish to parish. In 1897-98 the lowest tax upon the poorest house was six shillings in Manchester parish, the highest upon such a house was ten shillings in St. James.<sup>1</sup> Upon better houses the poor rate, the sanitary rate, and the general parochial rate are so much in the pound, the education rate is three shillings on an annual value of £4, four shillings on £6-12, and six shillings on all houses whose annual value exceeds £12.<sup>2</sup> This complex of rates is in practice very high upon the poorest huts, and leads to overcrowding and to moral and sanitary evils. Sir Augustus Hemming, the present Governor of Jamaica, declares the poor rate unequal and unsatisfactory in its incidence and in many instances oppressive. In 1897-98 these four general rates on houses yielded over £60,000.

<sup>1</sup> Barbour's Report, § 28-29.

<sup>2</sup> *Ibid.*, § 74.

Business licenses also constitute a productive form of taxation. Some of the more important rates, in the last year for which data are at hand, were as follows :

Wholesale dealers in spirits in Kingston.....	£10
Wholesale dealers in spirits elsewhere.....	5
Retail dealers in spirits in Kingston .....	25
Retail dealers in spirits in 27 other towns.....	20
Retail dealers in spirits elsewhere.....	10
Each still .....	5
Sellers of gunpowder and firearms .....	5 10s
Dealers in metals.....	5
Buyers of agricultural produce.....	2
Merchants .....	12 10s
Storekeepers .....	7 10s
Retail storekeepers.....	10s to £5

The receipts from such licenses were £12,789 in 1897-98. There are also "general internal taxes" on horses, varying from 7s. to 11s., on asses at 3s. 6d., and on vehicles at from six shillings to one pound per wheel, with a surtax in Kingston for repairing the city streets. The proceeds of the licenses and of the horse and vehicle tax are appropriated to the roads, and furnish between them over £50,000 of the £62,000 of "expenditures from appropriated revenue" made upon the roads in 1897-98.

The remaining British West Indies are geographically divisible into a group lying north of Jamaica, in which no sugar has ever been raised, and one lying south of Jamaica, in which, as in British Guiana, sugar raising is, or has been, the exclusive industry.

The area of the 600 islands to the north, the Bahamas, exceeds that of Jamaica, but they are inhabited by less than fifty thousand people. Their chief source of revenue is their tariff. Specific duties are levied on flour and food stuffs, liquors and oils, ad valorem duties on hardware and textile fabrics and on boots and shoes,

and there is a general ad valorem rate upon unenumerated commodities which was raised in 1895 from twenty to twenty-five per cent.<sup>1</sup> The colony owns the cable from Nassua to Florida, whose gross receipts in 1896 were £1,068, and it pays £1,200 to subsidize a steamship line to Palm Beach. The islands have always been poor and probably always will be.

The islands to the south of Jamaica, on the other hand, once enjoyed a prosperity of which their present dense population is the chief surviving witness. They differ from Jamaica in two important respects. First, they have a far less diversified agriculture. Montserrat grows many limes, and shares with St. Vincent in the arrowroot crop. But the market for both products is extremely limited and is said to be oversupplied. The other islands have made little or no attempt to introduce the cultivation of fruits of any kind. The reason may be their great distance from American markets, or it may be the technical ignorance and the indolence of their black population, or it may be that their soil and climate are suited, as Barbados is said to be, to the raising of nothing but cane. Other reasons also are assigned, including the difficulties which negro peasants encounter in getting ownership of land. But whatever the cause, the fact is that the southern islands, except Montserrat and Trinidad, are dependent almost absolutely upon their output of sugar. Products of the cane make 94 per cent. of the exports of Antigua (and, if we exclude gold, as large a part of the exports of British Guiana), 96 per cent. of the exports of St. Kitts, 97 per cent. of the exports of Barbados, and less than 23 per cent. of the exports of Jamaica.<sup>2</sup>

<sup>1</sup> Annual Report, 1896. (C. 8279-17.)

<sup>2</sup> Report W. I. Com., p. 3.

In the second place the southern islands differ from Jamaica in that their arable surface is chiefly held in large estates and often by absentee owners. In Dominica, St. Vincent and Barbados, estates are often unused and some are cultivated at a loss merely to give employment to the swarming negroes. But everywhere there is a strong indisposition to sell in small holdings on reasonable terms, or, in many cases, to a negro on any terms. Meanwhile the practice of "squatting" on abandoned estates, by which Jamaica has gradually acquired a peasantry whose fruit crops and ground provisions keep up relative prosperity in that colony, is vigorously suppressed in the southern islands, and the negro is thus prevented from supporting himself directly upon the soil whose cane product is ceasing to be his indirect support.

On account of the above-mentioned differences, the southern islands, whose revenue system is in general similar to Jamaica's, but with less direct taxes, have shown even less fiscal elasticity or recuperative power, and the treasuries of some of them were admittedly on the verge of bankruptcy when imperial relief was extended. The following table presents the salient features of their financial situation. It will be seen that, considering the poverty of the people, the taxes are very high. The amount collected in Trinidad is £575,000, as much as is collected by the State of Connecticut—which, to be sure, performs only part of the functions discharged by the government of Trinidad, but performs them for a population thrice as numerous and incomparably richer. It will be seen, too, that customs duties are the chief fiscal reliance of the colonies, and experience shows that, in some cases at least, these have reached their limit of elasticity. Thus in St. Vincent, for example, the rates were largely raised in 1895 and

Area, Square Miles.	Population in 1891 in Thousands.	Revenues, 1897 (or 1898), in Thousands of Pounds.						Imports.		Expendi- tures.	Debt.	
		Total.	Whites	Shillings and Pence per Capita.	Cus- toms.	Per cent.	Excise.	Licenses.	Total Value			Percent. of Customs upon.
Bahamas	47.6	11.0	63	20 7½	53	84	?	?	186	29	63	119
Jamaica	639.5	14.7	687	20 1¾	284	41	105	13	1694	17	775	1994
Leeward Islands	127.7	5.1	132	20 2½	64	45	?	?	426	15	141	336
Windward Islands	143.8	?	142	19 8½	67	47	?	?	480	14	142	339
Barbados	182.3	?	185	20 2	107	55	27	6	1009	10	173	409
Trinidad	218.4	?	575	52 9	447	78	?	?	2173	21	587	526
British Guiana	278.3	2.5	505	36 4	295	59	50	109*	1341	23	563	949

\* Including the royalty on gold mining.

further increased by 10 per cent. in 1896, the result being that the customs revenue decreased.<sup>1</sup> In other words, the limit of achievable revenue had been reached and meanwhile debts were piling up.<sup>2</sup>

The measures of assistance so far undertaken by the Imperial Parliament look toward two ends. The first contemplates immediate relief of the colonial treasuries, the second aims at putting the colonies in a position to meet a larger portion, eventually the whole, of their expenditures from their own revenues. By way of direct relief there was voted, in 1898, the sum of £90,000 to pay deficits. The colonies which chiefly profited by this measure are Tobago, St. Vincent, St. Lucia, Antigua, St. Kitts, Montserrat and the Virgin Islands.<sup>3</sup>

The contemplated expenditures for building up the colonies take the direction of appropriations for roads, for establishing peasant proprietorship, for agricultural experiment stations, and for steamship subsidies; and of guarantees on the cost of central sugar factories erected by private capital. For roads in Dominica and peasant settlements in St. Vincent £80,000 were granted 2 August, 1898; for agricultural experiment stations, £4,500, with the understanding that this would grow to an annual charge of £17,500; for steamship subsidies—intercolonial, to New York, and to London—the sum of £5,000 per year, with the understanding that this charge might expand to £20,000 yearly.<sup>4</sup> As for

<sup>1</sup> Chamberlain, 4 Hansard, 54:1544.

<sup>2</sup> Cf. the vigorous expressions of Sir E. Grey in 4 Hansard, 63:919, 2 August, 1898.

<sup>3</sup> These absorbed £80,950 of the sum. 4 Hansard, 63:872, 2 Aug., 1898.

<sup>4</sup> 19 April, 1900, a ten-year contract was made by the colonial office with Elder, Dempster & Co., calling for a direct fruit line to England. The subsidy is £40,000 per year, half paid by Great Britain and half by Jamaica.—*Journal of Commerce*, 2 May, 1900.

sugar factories the Commission had recommended a grant of £120,000 for their erection in Barbados, but the Colonial Office arranged instead for a ten-year's guarantee of 3 per cent. interest on £750,000 to be spent in erecting central factories in St. Kitts and Antigua as well as Barbados, and the House of Commons approved this arrangement.

The Colonial Loans Act of 1899 (62 and 63 Vict., ch. 36) authorized Imperial advances to various colonies for a period not exceeding fifty years and at interest of not less than  $2\frac{3}{4}$  per cent. The total amount authorized exceeded three million pounds. In this the West Indies might share as follows: Barbados and St. Vincent for hurricane loans to planters, £50,000 each; Trinidad, for railways and public works, £110,000; Jamaica, for public works, £63,000, for completion and equipment of railway, £110,000, for interest on railway debentures, £88,000, for waterworks, £40,000, in aid of revenue, £40,000.<sup>1</sup> Up to 26 February, 1900, arrangements had been made to loan £348,000 to Jamaica, and most of their allotment to Barbados and St. Vincent.<sup>2</sup>

Obviously the end is not yet reached. It is even too early to conjecture what the end may be. But one thing is clear: the policy of fiscal independence in the West Indies has broken down.

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<sup>1</sup> See the debates in 4 Hansard, 75: 518-579, 858-878, 1062-1065, 1152-1199.

<sup>2</sup> 4 Hansard, 79: 1091.

## THE FISCAL SYSTEM OF EGYPT.<sup>1</sup>

It is often said that in Egypt the beginning and end of all things is finance. Like most epigrammatic statements this is undoubtedly an exaggeration, but it is nevertheless true that there are few instances known to history, where questions of public finance have played such an important rôle in determining the political and social condition of a people as in Egypt. This close dependence of the welfare of the Egyptian people upon the administration of the government finances is due to the peculiar character of the country itself. The Egypt of geography has an area of approximately four hundred thousand square miles, "an area seven times as great as New England". The practical Egypt of the present day, however, comprises a much smaller area. It is estimated that only ten thousand five hundred square miles are under cultivation. The entire cultivated area lies in the Nile valley and Delta, so that the Egypt of to-day, no less than that of the time of Herodotus is "the gift of the Nile." The prosperity of the Egyptian people is therefore indissolubly connected with the vicissitudes of that great river. It is only as the Nile can be brought under control, its wonderful life giving powers utilized, and its destructive powers eliminated that Egypt may hope to attain the greatest

<sup>1</sup> The principal sources from which the material used in this article has been drawn are: The Annual Reports by Lord Cromer on the Finances, Administration and Condition of Egypt, and the Progress of Reforms. "The Statesman's Year Book," 1899. "The Expansion of Egypt," by A. Sylva White. "England in Egypt," by Sir Alfred Milner. "Lord Cromer," by H. D. Trail, and "Present Day Egypt," by Frederic C. Penfield. The works of Mr. White and Mr. Milner I have found especially helpful.

economic prosperity. For a work of such a portentous character in that country private initiative is not to be depended upon. The Egyptian people must look to the administration of the government. The cultivated area of Egypt has a population of about 928 to the square mile, a density greater than that of any European country. The economic condition of the Felláhin is a low one. Their hard labor yields little more than the merest subsistence. They are an ignorant, improvident and as a rule submissive and docile people. Under such conditions questions of taxation have more than ordinary social significance. The power of the wealthier classes until recently has been sufficient to enable them to throw most of the burden of taxation upon the poor peasants. Ground down by excessive and inequitable taxation, the Felláhin were forced to resort to European money lenders, but these, in turn, they soon found to be even harder taskmasters than the officials. The prosperity of these agricultural laborers, however, in the long run is the prosperity of Egypt. Their labor is the source of the greater part of its wealth.

Not only is the economic welfare of the Egyptian people thus most intimately related to the administration of the public finances, but the present political relations of Egypt to the great powers of Europe are traceable directly to the recent extravagant administration of her finances. This was the gateway through which the European powers gained their present control in Egyptian affairs.

In 1863 Ismail Pasha succeeded to the throne of Egypt. He found the country prosperous. It would be difficult to improve upon the description of Ismail given by Sir Alfred Milner: "Ismail himself is as fine a type of spendthrift as can well be found, whether in

history or fiction. No equally reckless prodigal ever possessed equally unlimited control of equally vast resources. . . . When Ismail came to the throne in 1863, the debt of Egypt was only a little over three millions. The annual revenue of the country was amply sufficient to meet all needful expenditure, yet by the end of 1876 the debt had risen to eighty-nine millions. A country of six millions inhabitants and only five million acres of cultivated land had added to its burdens at the rate of seven millions a year, and at the same time the taxation of the land had been increased by something like fifty per cent. . . . If the personality of Ismail was an essential factor in the ruin of his country, it needed a whole series of unfortunate conditions to render that personality as pernicious as it actually became. It needed a nation of submissive slaves, not only bereft of any vestige of liberal institutions, but devoid of the slightest spark of the spirit of liberty. It needed a bureaucracy, which it would have been hard to equal for its combinations of cowardice and corruption. It needed the whole gang of swindlers—mostly European—by whom Ismail was surrounded, and to whom, with his phenomenal incapacity to make a good bargain—strange characteristic of a man so radically dishonest—he fell an easy prey." Such extravagance must soon place the Egyptian government at the mercy of its European creditors. But borrowing was not the worst feature of Ismail's extravagance. The vast sums necessary to pay high rates for their risk to European creditors backed by their respective governments, had ultimately to come from the taxpayers of Egypt; and the unjust methods of taxation which Ismail employed were paralyzing to the productive powers of the country.

In 1876 Europe called a halt in behalf of the creditors

of Ismail. For several years preceding that date the great powers had been gradually establishing a sort of control over Egyptian affairs.<sup>1</sup> This control now assumed definite shape in the appointment of Mr. Goschen on the part of England and M. Joubert on the part of France, with instructions from their respective governments to investigate the financial situation of Egypt. The preliminary report was presented the same year, and one of its results was the establishment, by a decree dated November 18, 1876, of the dual control. It was in that year also that the powers succeeded in bringing about the establishment of international courts,<sup>2</sup> for the purpose of dealing with certain legal questions between Europeans, or between Egyptians and Europeans, in Egyptian territory.

Before speaking further of the establishment of European control in Egypt, it may be well to look for a moment at the relations existing between Egypt and Turkey. Since 1517 Egypt has been a Pashalic of Turkey. The present relations between the two countries are set forth in the Firman of 1873. This, however, was slightly modified by one of 1879. The Firman of 1873 provides that "the Khedive of Egypt is authorized to make internal regulations and laws as often as it may

<sup>1</sup> "The purchase by Lord Beaconsfield of Ismail's Suez Canal shares (1875) gave Great Britain a *locus standi* which she did not before possess in the control of Egypt, and a share with France in the administration of the canal."—White.

<sup>2</sup> The evils of internationalism in Egypt are especially evident in regard to judicial questions. Egypt has four practically distinct judicial systems, (1) the courts of the religious orders concerned principally with the personal status of Mohammedans, (2) the international courts above referred to, (3) consular courts where foreigners accused of crime are tried, (4) native courts for civil and criminal actions between natives. Under such a system the difficulty of enforcing Egyptian law, especially against foreigners, is only too evident.

be necessary. He is also authorized to renew and to contract (without interfering with the political treaties of my sublime Porte) conventions with the agents of foreign powers. . . . The Khedive has complete and entire control over the financial affairs of the country. He has full power to contract, . . . in the name of the Egyptian government, any foreign loan, whenever he may think it necessary." The Firman of 1879 forbids the contracting of new loans without the consent of the existing creditors. Concerning the rights thus granted Sir Alfred Milner says: "No delegation of sovereign power, short of its absolute abandonment, could well have been more complete." It is the opinion of Sir John Scott, late judicial adviser to the Khedive, that inasmuch as these recent Firmans have been declared by Turkey in co-operation with the European powers, the principles of Egyptian autonomy established by them "are not mere emanations of the will of the Sultan which he can sanction to-day and abrogate to-morrow."<sup>1</sup> *The Times* of January 22, 1899, speaking of the status of Egypt, says: "Taxes are levied and money is struck in the name of the Sultan; and the Khedive can neither part with any of his rights nor abandon any portion of his territory. But as long as he pays his tribute, he is practically independent of the Sultan in all matters of internal administration."

With this digression let us return to the consideration of Egypt's relations with the great powers during the latter part of Ismail's reign. The year 1876 witnessed the introduction of a new factor in Egyptian politics, a factor at the time considered of little importance, but destined soon to become a virtual *imperium in imperio*.

<sup>1</sup> "The Expansion of Egypt," p. 132, *et seq.*

I refer to the establishment of the *Caisse de la Dette*. The Caisse as it is generally called, originally consisted of three foreigners, a Frenchman, an Austrian, and an Italian. England took so little interest in the board at first that she refused to propose a commissioner. These commissioners are appointed nominally by the Khedive, but in reality by the powers respectively which they represent. The original object of the Caisse was rather to protect the interests of Egypt's European creditors, than to represent the powers themselves. Its duties, as set forth in the Decree of May 2, 1876, were principally to receive "the funds necessary for the interest and redemption of the debt," and to apply them to this object exclusively. Certain hypothecated revenues were to be paid regularly to the Caisse. Article III of the decree provided that: "If the payments of the revenue assigned to the debt be insufficient to meet the yearly charges, the special Public Debt Department will demand from the Treasury, through the intermediary of the Minister of Finance, the sums required to complete the half-yearly payment." It was further provided that the Government should not diminish the yield of the hypothecated taxes, nor contract new loans without the consent of the Caisse. Any surplus which might happen to exist in the hypothecated revenues at the end of the year was to be paid over to the general treasury. Actions of the Caisse against the government were to be brought in the International Courts. These were the main provisions of the Caisse as originally constituted; its future development will be considered later.

The Dual Control by France and England was suspended by the Decree of December 15th, 1878. It was revived, however, the following year and a Controller-General was appointed by each of the two Powers.

England named Major Baring and France, M. de Blignières. These men bore instructions from their governments to inform the Khedive that the exercise of political influence by any of the other powers would not be permitted. It was becoming pretty evident by this time that France and England intended to control Egypt. Ismail, while making all sorts of promises and concessions, continued his reckless financial policy. Sir Alfred Milner cites one instance in which a debt of £72,000 was redeemed by the surrender of not less than £230,000 of unified stock. In spite of the attempted restrictions of the powers, he succeeded in extending many short loans at extravagant rates, and in anticipating considerable revenue. The inevitable result followed. He was deposed through the influence of the powers in 1879, and a Firman of Investiture decreed the same year, established Taufik upon the throne.

Shortly before his deposition, Ismail, after a long continued opposition, consented to the appointment of a commission, whose duty should be to make a minute examination into the financial and administrative system of Egypt. This commission found the finances of the country in a deplorable condition. Their recommendations for reform were embodied in the Law of Liquidation enacted in July 1880, which together with the London Convention of 1885 and the Khedivial Decree attached thereto, has since constituted the organic law of Egyptian finance.

The principal provisions of the law were as follows: The Egyptian revenues were divided into two nearly equal parts; of these one part went to the Caisse for the benefit of the debt, and the other to the government for purposes of administration. The principles applied to these two budgets were quite different. Any deficit

that might occur in the budget of the Caisse had to be made up by the government. The Caisse, however, could not be called upon to make up out of any surplus which it might have a deficit in the budget of the government. The Caisse besides had certain contingent claims upon any surplus that might come to the government. In this law there appears definitely for the first time that peculiar arrangement, so important in recent Egyptian financial history, known as the "limit of expenditure." Not only is the Egyptian debt given the first claim on the government revenues, leaving the government dependent for its own expenditures upon the remainder, but a limit is set to this remainder. The limit thus established, £4,898,000, was supposed to represent the normal expenditure of the government. It was to include among other charges the tribute payable to the Porte, and the interest due to Great Britain on the Suez Canal shares. The plan, as will be noted, makes no provision for extraordinary expenditures. Principally for this reason it was modified by the Convention of London five years later. The Law of Liquidation also provided for the consolidation of the debt into four great loans, as follows :

Privileged debt <sup>1</sup> .....	£22,629,800
Unified debt <sup>2</sup> .....	58,043,326
Daira loan <sup>3</sup> .....	9,512,804
Domanis loan <sup>4</sup> .....	8,500,000
Total.....	£98,685,930

<sup>1</sup> "The privileges of the Railway Preference Loan, as fixed by the Goschen-Joubert decree of November, 1876, were maintained, and a further issue of £5,744,000 was authorized. The interest on this stock was secured by the railway and telegraph revenue, and constituted a first charge on the other revenue set apart for the service of the unified debt and the revenue of the harbor of Alexandria." The rate of interest was fixed at five per cent.

<sup>2</sup> "The interest on the unified debt was maintained at four per cent., to be paid from the aforesaid revenues assigned to it, and the charge of this

The Dual Control had scarcely been reëstablished and the Law of Liquidation passed, when new troubles appeared on the financial horizon. There was a general spirit of discontent and of reaction against the extravagant and weak kneed policy so long pursued by the Egyptian government. The apparently increasing power of the Turk was unpopular; the people were entirely out of sympathy with European administrations. Not only the government but the people individually were suffering under a great burden of debt. Their taxes were high and the prices which they required for their produce were falling. All this leavened by a spirit of religious fanaticism furnished good material for revolution. The military revolts, little more than demands for arrears of pay on the part of soldiers, were followed by a more extensive and violent insurrection, known from the name of its leader as the Arabi Revolt, which soon grew to such proportions that British and French squadrons were sent to Alexandria. Even their influence was not sufficient to quell the disturbance. There was much destruction of property and considerable blood shed. England appealed to the European Concert, and to the Sultan,—but in vain. France refused to coöperate with her in any positive measures directed toward the suppression of the revolt. Finally, becoming desperate, England shouldered the responsi-

debt amounting annually to a little more than two millions and a quarter, it was provided that any receipts in excess of this sum should form a sinking fund, to be applied to the purchase and extinction of the stock in the open market."—H. D. Trail, "Lord Cromer," pp. 52, 53.

<sup>1</sup> These loans are secured by mortgages on a property of several hundred thousand acres which once belonged to the Khedivial family. It was given up by them in partial settlement of Ismail's debt. The estates are devoted to the raising of various crops, especially cotton and sugar; the proceeds are used toward paying the interest on the debts, which the property secures. The rate of interest on the Domains loans was fixed at five per cent., and on the Daira loans at four.

bility and assumed the task alone. The story may be told in a few words. On July 11 and 12, 1882, occurred the bombardment of Alexandria, together with the wanton massacre of thousands of innocent people by Arabi's frenzied followers. On the 20th of August, 1882, Sir Garnet (now Lord) Wolsely arrived in Egypt; on September 13, Arabi's army was completely routed at Teb-el-Kebir; on the 14th, Arabi with his revolutionary army of 10,000 men surrendered at Cairo; and on 15th, Sir Garnet Wolsely, at the head of the British expeditionary forces, entered the city. The revolution had been suppressed, and the authority of the Khedive was again formally established.

The natural result of England's victory at Teb-el-Kebir was the abolition of the Dual Control. This was accomplished by a Decree of January 18th, 1883, and on the last of April a constitution was signed by the Khedive establishing the single control.

This single control by no means signifies that England is given absolute power in the administration of the Egyptian government. The Sultan still retains his suzerainty and France refuses to acknowledge definitely the single control of Great Britain. The great powers continue to be represented in the mixed administrations and in the Caisse de la Dette. Neither the Capitulations nor the Consular Courts have been abolished.<sup>1</sup>

<sup>1</sup> Speaking of these international restrictions Sir Alfred Milner says: "I am sadly conscious how difficult it must be, despite all explanations, for a reader not acquainted with Egypt to realize what difficulties beset the every-day business of government—to say nothing of any large scheme of improvement and reform—in consequence of the countless international fetters in which Egypt is bound, the forts and blockhouses of European privilege with which the country is studded. Wherever you turn there is some obstruction in your path. Do you want to clear out a cesspool, to prevent the sale of noxious drugs, to suppress a seditious or immoral print—you are pulled up by the capitulations. Do you want to carry out some big work of public

The expression "single control" to represent England's share in the political administration of Egypt is an unfortunate one. The exact status of this control, it is impossible to define. It means little more, however, than that within all these hampering limitations, Great Britain has established a control which is far more potent than that exercised by any of the other powers. England's own interpretation of this control is indicated by the famous dispatch of Lord Granville, dated January 4th, 1884. It contains these words: "It should be made clear to the Egyptian ministers and governors of provinces that the responsibility which rests for the time on England, obliges her Majesty's government to insist on the adoption of the policy which they recommend, and that it will be necessary that those ministers and governors who do not follow this course should cease to hold their offices."

The next few years, though full of important events, need not detain us long. They are often spoken of by Englishmen as the "years of gloom." A period of reorganization is generally a period of hardships. The recent experiences of the Egyptians with certain British speculators had not tended to increase their confidence in Englishmen. Add to these facts the rigorous financial measures which the condition of the public debt de-

utility—to dig a main canal, or to drain a city—you are pulled up by the Law of Liquidation. You cannot borrow without the consent of Turkey; you cannot draw upon the reserve fund without the consent of the Caisse; you cannot exceed the limit of expenditure without the consent of the powers. Do you, impeded and hampered on every side, finally lose patience and break through, for however good an object, . . . you have a consul-general down upon you at once."

It is to be noted that these advisors and the officers of the various international boards all receive high salaries which are paid out of the Egyptian treasury. The members of the Caisse, for example, are paid an annual salary of ten thousand dollars each for looking after the interests of their own countrymen.

manded, the continuous opposition of France, the great fire in Alexandria, the cholera epidemic, the expensive and disastrous expedition to the Soudan, and we may well realize that England's new position was by no means an easy one.

By 1884 affairs had reached such a pass that a revision of the Law of Liquidation,<sup>1</sup> and the creation of a new loan to meet certain extraordinary expenditures, seemed absolute necessities. For either one of these purposes the consent of the great powers was necessary. After considerable preliminary negotiation, the powers came to an agreement, which was embodied in the London Convention of March, 1885. This convention is a marked improvement on the Law of Liquidation. Its adoption was made possible only after a concession had been made to France providing for the immediate payment of her Alexandrian indemnities, and to Germany and Russia by granting each the right of representation on the Caisse de la Dette. The two most important financial features of the convention were (1) the authorization of a new loan, (2) the modification of the Law of Liquidation in regard to the distribution of the surplus.

The convention empowered the Egyptian government to borrow £9,000,000, the payment of which was to be guaranteed by the powers. It was provided that an annuity of £315,000 should be set aside for the service of the loan, and constitute a first charge upon the revenues

<sup>1</sup> "During the year 1883, the revenues assigned to the debt produced so large a surplus that, after full payment of the interest, it was found possible to redeem £800,000 of the capital. But in the very same year the revenues assigned to administration fell short of the expenditure by more than £E1,600,000. [£E refers to an Egyptian pound. It is the equivalent of £1. os. 6d.] It was clearly ruinous to pay off a funded debt, bearing only four or five per cent. interest, if while so doing the government was obliged to borrow on short loans at much higher rates."—Sir Alfred Milner, "England in Egypt", p. 225.

assigned to the debt. The loan was placed at about three per cent. This annuity, therefore, was sufficient to yield a surplus each year for the reduction of the principal. The loan served to pay off the Alexandrian indemnities, to wipe out the deficit for 1882-1885, and at the same time to leave a surplus of a million dollars which was devoted to new irrigation works.

The other important feature of the convention, the change made in regard to the distribution of the revenues, was in its complexity a typical Egyptian financial measure. The previous division of the revenue into two funds, that assigned to the Caisse, and that assigned to the government, was maintained. An important modification of the Law of Liquidation, however, was made in regard to the distribution of the surplus. Certain expenditures on the part of the government were classified as "authorized" expenditures. The annual sum fixed for these was placed at £ E 5,237,000 (in addition to the sums expended on one or two small variable items).<sup>1</sup> Any deficit the government may have in the revenues which are assigned to "authorized" expenditures is made up out of the annual surplus of the Caisse. If the Caisse after paying its coupons and making up this deficit, still has a surplus in its annual revenue, this surplus is divided equally between the Caisse and the government. By this plan the charges on the public debt are protected, and at the same time a much desired elasticity is given to the government revenues. The principal objection to the measure is that it does not go far enough. In a country like Egypt where the welfare of the individual depends so largely upon government expenditure, in a country advancing indus-

<sup>1</sup> Certain new items have been added from time to time by the powers.

trially as rapidly as she is, it is a serious defect in the financial system, that so little provision is made for extraordinary expenditure. A few years ago, before the payment of the debt was so well assured, and before the credit of the government was placed upon a sound footing, it was probably wise to sacrifice administrative expenditures to public credit. Fortunately for some time the payment of the debt has been assured. As long as Egypt can borrow money for three per cent., she need not be seriously worried about her credit.

The need for increased expenditure on irrigation and public works is at the present time so great that this limitation fixed by the London Convention upon unauthorized expenditure is as inexpedient as it is unnecessary. Two methods of providing for additional expenditures otherwise than by doubling the amount desired, in the form of a surplus, are (1) by getting the consent of the powers to include the particular item under the head of "authorized" expenditures, (2) by obtaining special grants from the general reserve fund of the Caisse.<sup>1</sup>

Both of these methods experience has shown to be rather slow and difficult. This difficulty in regard to the former method is well illustrated in the attempt to abolish the *Corvée* by bringing an expenditure of £ E 250,000 under the head of "authorized" expenditures, and substituting the paid labor obtained by this

<sup>1</sup> There are three separate reserve funds connected with the financial administration of the Egyptian government. These are :

(1) The economies resulting from the partial conversion of the debt which took place in 1890. This money cannot be touched without the consent of the Powers.

(2) The general reserve fund which, with the consent of the Caisse de la Dette, can be applied to certain specified objects.

(3) The special reserve fund, which is at the free disposal of the Egyptian government.—Lord Cromer in the Annual Report of 1898.

sum for the fiscal labor of the *Corvée*. It took over three years to accomplish the result, although the advisability of the change seems to have been generally admitted. The second method of meeting unauthorized expenditures has been within recent years the more effective one. The character and amount of these grants will be seen by reference to Table III (p. 216). This benevolent action on the part of the Caisse is probably in part due to the provision that as soon as the reserve fund exceeds two millions, amortization of the debt takes place through the operation of the sinking fund. Under present conditions the Caisse realizes that the more profitable way of expending this money is on public works.

From what has been said in regard to the Caisse, it will be seen that its actual powers now far exceed those originally assigned to it. At first a mere board of three representatives appointed at the desire of public creditors to receive certain revenues and pay them out for certain specified purposes, it has now become virtually an *imperium in imperio*. The consent of the Caisse must be obtained by the Government for all important financial measures. The commissions, moreover, are the guardians of the rights belonging to their respective governments in all Egyptian affairs. To quote Sir Alfred Milner: "they even possess a certain legislative power, and many decrees recite in their preamble the adhesion of the Caisse to their provisions. . . . Occupying a position of special trust, possessing a special knowledge of the details of a most complex situation, they are the natural advisers of their respective governments on all questions of a financial character which the Egyptian government may be obliged to submit to the approval of the powers."

Egyptian financial administration, aside from the control exercised by the Caisse and the mixed administrative boards, is in reality under the direction of the Khedive's British financial adviser. Next to the British consul-general, this officer is the most influential European representative in Egypt. He has a veto upon all financial legislation. Without his previous approval no measure involving expenditure can hope to pass the council of ministers—the council whose European advisers constitute the real legislative power in Egypt. On the other hand if the financial adviser does not oppose a decree, it is, as a matter of course, adopted.

The Egyptian people through their representatives have very little power over the administration of the government's finances. There are in Egypt two<sup>1</sup> representative assemblies. The Legislative Council and the General Assembly.

The Legislative Council, which meets monthly, consists of thirty members of whom fourteen are nominated by the government and the remaining sixteen by the provincial assemblies. This Council has no power of initiative. "Its duty is to examine the budget and to discuss draft decrees affecting the internal administration. The Council may propose amendments, but the government is not bound to accept them. In case of rejection, however, it must give its reasons to the Council in writing.

The General Assembly consists of the six ministers of state, the thirty members of the Legislative Council, and forty-six notables. Thirty-five of these notables are chosen from the provincial assemblies, and eleven are nominated by the government. This assembly is convoked by special Khedivial decree. It is supposed to

<sup>1</sup> These were established by a decree of the Khedive, May 1, 1883.

meet once in every two years. Like the Legislative Council it has no initiative in legislation. Unlike the Legislative Council, however, it has a veto on taxation. No new tax can be imposed without its sanction.

So far our discussion has been an attempt to show the general principles of the Egyptian financial administration in the light of their more recent historical development. It has been said that the London Convention and the Law of Liquidation constitute the organic law of Egyptian finance. The changes in the general plan of administration since 1885 have been comparatively unimportant and for all practical purposes may be omitted here. The more important side of the discussion yet remains to be considered. What is the actual condition of the revenues and expenditures of Egypt under this system of administration? In other words how has it worked?

Lord Cromer in his annual report for 1898, says:

"The finances of Egypt have passed through at least three distinct phases during the last fifteen years. During the first phase, which lasted from 1883 to about 1888, the whole efforts of the government had to be directed to the maintenance of financial equilibrium. The circumstances were such as to preclude the possibility either of affording fiscal relief, however necessary, or of incurring additional expenditure, even for the most legitimate objects.

"By 1887 all danger of insolvency was over. The efforts of the reformers, notably those of the irrigation officers, began to bear fruit. The period of surplus set in. It was then decided that fiscal relief should take precedence over additional expenditure. The *Corvée*, which was, in reality, a very heavy and objectionable tax, was therefore abolished at a cost of £ E. 400,000 a year. The land tax was reduced by £ E. 430,000. The professional tax (£ E. 180,000), the sheep and goat tax (£ E. 40,000), the weighing tax (£ E. 28,000), and sundry small taxes (£ E. 31,000) were abolished. In all, a reduction of direct taxation to the extent of £ E. 1,100,000 was accorded. At the same time, the salt tax was reduced by 40 per cent., and the postal and telegraph rates by 50 per cent. The octroi duties were abolished in the smaller provincial towns. The only increase was in the tobacco duty, which was raised from P. I. 14 to P. I. 20 per kilogram.

The period of fiscal relief may be said to have been brought to a close in 1894. It was then thought both possible and desirable to pay more attention than heretofore to the very legitimate demands of the spending departments. Accordingly, money was devoted to remunerative objects, such as drainage and railway extension, and also to others, such as the construction of hospitals, prisons, and other public buildings, the improvements of education, etc., which, although not directly remunerative, are equally necessary to the well being of the country."

The following table gives some idea of the more important items of revenue and expenditure in the Egyptian budget.

CERTAIN IMPORTANT ARTICLES OF THE EGYPTIAN  
BUDGETS FIXED UPON FOR 1898-1899.<sup>1</sup>  
[ooo omitted.]

REVENUE.	1898	1899
Land Tax .....	£ E. 4,873	£ E. 4,661
Customs .....	850	900
Tobacco .....	1,000	1,000
Salt .....	180	183
Railways .....	1,800	1,920
Telegraphs .....	47	47
Port of Alexandria .....	130	145
Justice .....	426	480
Actions .....	204	210
All other .....	830	954
Total Ordinary Receipts .....	10,440	10,600

EXPENDITURE.	1898	1899
Civil List of Khedive, etc. ....	£ E. 254	£ E. 254
Cost of Administration :		
Council of Ministers .....	4	4
Legislative Council .....	8	8
Ministry of Finance .....	86	87
Public Instruction .....	105	108
Justice .....	392	396
Interior .....	391	394
Foreign Affairs .....	11	11
Public Works .....	630	638
Railways .....	907	957
Ministry of War .....	440	440
Army of Occupation .....	85	85
Pensions .....	439	439
All Other, inc. Tribute and Pub. Debt Charges. ....	6,489	6,699
Total .....	10,440	10,560

<sup>1</sup> Prepared from a table given in "Statesman's Year Book," 1899.

The land tax, furnishes nearly half the total revenue, in spite of the fact that there has been a considerable reduction in its rate within recent years. The "Statistical Returns" published by the Egyptian government in February, 1898, shows that the actual amount of the land tax in 1897 was less than it was in 1881 by £ E. 85,691. During the same period there has been an increase of about 13 per cent. in the cultivated area paying taxes. The rate of the tax in 1881 averaged £1 2s. od. per feddan, in 1897, only 18s. 3d. This has been in the past one of the most burdensome of Egyptian taxes. Not only has the rate been very high, but the assessment has been made in such a way that the burden of the tax often fell upon those least able to bear it. This state of affairs still continues to a great degree. A commission, however, has been working for some time on plans for reform, which will probably be put into effect very soon. For the purpose of the tax the cultivated land in Egypt is divided into three classes. (1) The so-called "Khargi" lands. These lands constitute nearly three-fourths of the cultivated area. They are theoretically held in life tenure, the state being the ultimate proprietor. The tax on these lands is unequally imposed, but averages about 22s. per feddan.<sup>1</sup> (2) The "Ushuri" or tithe paying lands. These constitute nearly all the remaining land under cultivation. They were originally granted in fee and are subject to a quit-rent averaging about 7 s. per feddan. (3) The "Wakf" lands are lands which have been assigned to mosques for religious or charitable purposes. In addition to these taxes, the landholders are subject to charges of about 4s. per feddan for the materials necessary for the maintenance of the irrigation system. In cases of

<sup>1</sup>1.04 English acres.

emergency they are still subject to *Corvée* labor. The land tax is collected by accountants established in the various villages. It is paid in installments, which fall due at the times when the principal crops are harvested. With view of rendering financial assistance to the agricultural population, who owing to their own improvidence and the recent oppressive taxation are as a rule deeply in debt and are often unable to pay their taxes, the Government has recently voted £10,000 as an experiment in making advances of £10 and under to petty landowners.

Next to the land tax the railways are the most important source of Egyptian revenue. Of the 1,238 miles of railway in Egypt on January 1, 1897, 1,166 miles were owned and operated by the government. Several other lines are now under construction. The management of the railways like that of the telegraph and the port of Alexandria is in the hands of one of the mixed international commissions established in 1876. The railway commission is composed of three members, an Englishman, a Frenchman and an Egyptian. By international agreement it was early determined that the working expenses of the government railways should not exceed 45 per cent. of the gross receipts. Inasmuch as no additional allowance was made for renewal or extension of plant, the railways have been considerably handicapped in their development by this provision. Since 1893, however, the Caisse has been coming to the rescue by means of advances from her general reserve fund. The net income of the railways together with that of the telegraph and of the port of Alexandria must be paid over to the Caisse to meet the interest on the privileged debt. The following table compiled from the official Egyptian reports and

the "Statesman's Year-Book" shows the condition of the government railway business for the years 1890 to 1897.

TABLE II.—GOVERNMENT RAILWAYS.

Year.	Line (Miles)	MILLION PASSEN- GERS.	GOODS CARRIED. Million Tons.	GROSS RECEIPTS. Million £ E.	NET RECEIPTS. Million £ E.	WORKING EXPENSES. Million £ E.
1890	961	4.7	1.7	1.4	0.7	0.6
1891	992	5.6	2.1	1.6	0.9	0.7
1892	999	7.0	2.2	1.7	1.0	0.7
1893	1,080	9.3	2.1	1.6	0.9	0.7
1894	1,087	9.8	2.4	1.8	1.0	0.8
1895	1,098	9.5	2.4	1.7	1.0	0.8
1896	1,143	9.9	2.5	1.8	1.0	0.8
1897	1,166	10.7	2.8	2.0	1.1	0.9

Customs dues are another source of considerable revenue in Egypt. Unlike most Egyptian financial measures the tariff system is very simple. With the exception of tobacco, uniform ad valorem export duties of one per cent., and import duties of eight per cent. are levied on all goods. The duty on tobacco is a uniform tax of about four shillings per kilogram, regardless of price. The cultivation of tobacco in Egypt is prohibited. The value of goods imported is determined by experts, either on the basis of the purchase price in their original country plus the cost of transportation, or on the basis of the wholesale price at the port of disembarkation, minus a discount of ten per cent. The following table gives an idea of the growth of customs revenue since 1882. The principal articles of import are cotton tissues, metals, cereals, wood and coal; of exports, raw cotton, cereals, vegetables, and sugar. The ratio of the cost of collecting the customs revenue to the gross receipts is said to be about 3 to 62.

## GROWTH OF CUSTOMS REVENUE—1882-1898.

(000 omitted.)

YEAR.	DUTIES.	TOBACCO.	TOTAL.
1882-----	516	108	624
1883-----	652	106	758
1884-----	652	147	799
1885-----	708	212	920
1886-----	628	304	932
1887-----	648	289	937
1888-----	622	332	959
1889-----	586	441	1,027
1890-----	652	728	1,379
1891-----	808	829	1,636
1892-----	815	655	1,470
1893-----	756	787	1,545
1894-----	825	933	1,758
1895-----	770	969	1,739
1896-----	890	1,006	1,896
1897-----	935	1,005	1,979
1898-----	959	1,081	2,040

The items of expenditure, not already referred to, that probably deserve special mention are those coming under the heads of public works and public instruction. The item under the head of public works most deserving of attention is that of irrigation. Egypt is pre-eminently an agricultural country, over 61 per cent. of her population are engaged in agricultural labor. The vast tracts of land cultivated by these people are dependent for their irrigation almost entirely upon the Nile river. "In Upper Egypt rain practically never falls. Even in Lower Egypt it is a negligible quantity." Sufficient irrigation for certain crops can be obtained by the unaided action of the river, but for thousands of years it has been known that the efficiency of the soil could be greatly increased by artificial means of irrigation. No kind of expenditure on the part of the Egyptian government has paid so well in the past as that devoted to works of irrigation; no other sort of investment so directly benefits the great mass of the

Egyptian people.<sup>1</sup> Fortunately the Egyptian government is beginning to realize this. The total expenditure on the irrigation budget in 1897 amounted to over £900,000. During the same year the Caisse made a special grant of £530,000 for new irrigation works. The great dam now in course of construction across the Nile at Assuan will, when completed, be a work of such magnitude as to almost cause the ancient sphynx to hide its face with envy. The dam is being built of granite ashlar; it will be seventy-six feet high in places, have approaches nearly a mile and a quarter long, and will be able to contain, it is estimated, a billion tons of water.<sup>2</sup> The contractors are to receive from the Egyptian government for this task "semestrial payments of £78,613 over a period of thirty years, beginning from the 1st July, 1903."<sup>3</sup> The success of this proposed plan of irrigation is already assured. Of this project Lord Cromer says in his report for 1898: "I am aware that it may at first sight appear a somewhat hazardous financial undertaking to increase the liabilities of the Egyptian treasury whilst the Soudan question is still only partially settled. . . . My belief is, not only that this danger is apparent rather than real, but also that the expenditure of capital to improve the water supply of Egypt, and thus increase the revenue, affords the best and most certain way out of any financial difficulties which may be impending by reason of the whole or partial reoccupation of the Soudan."

Another department of Egyptian expenditure which has great possibilities for the future, is that of public

<sup>1</sup> It is estimated that the development of cotton culture due to the completion of the barrage at Cairo yields to the government annually a revenue of at least ten million dollars.

<sup>2</sup> Penfield, "Present Day Egypt," p. 151.

<sup>3</sup> Annual Report of Lord Cromer, for 1898.

instruction. In 1897 it is said that of the entire Egyptian population, only 467,886 or 4.8 per cent. could read and write. Every year, however, the government is paying more attention to the work of public instruction. Of a total of 227,409 pupils in Egyptian schools in 1897, 10,859 were under the immediate direction of the department of Public Instruction. According to Mr. White, the ministry of Public Instruction has three budgets, the first is the annual government grant, which of recent years has tended to increase steadily, the second is a "special fund derived from the management of estates which Ismail constituted into a Wakf and to which he made other donations. And lastly, there is the annual subsidy paid by the Wakf's administration in support of their primary schools in Cairo which the government took over in 1889." Mr. White estimates the net annual expenditure of the Ministry of Public Instruction at between £ E. 90,000 and £ E. 100,000. The expenditure on public instruction thus shows an increase of something like thirty-seven per cent. over that of 1881.

The character of the other items of revenue and expenditure does not require any detailed description. Taken as a whole the facts seem to show that Egypt's finances are to-day in a far better condition than when England came into control. The following somewhat disconnected facts selected from the "Statistical Returns"<sup>1</sup> (1881-1897) will perhaps serve to summarize Egypt's financial progress since the establishment of the "single control." "The taxation per head of population in 1881 was £1, 2 s., 6 d. In 1897 it was 17 s., 9 d. "212 miles of new railway have been opened."

<sup>1</sup> Quoted by A. Sylva White in "The Expansion of Egypt", pp 196, 197, 198.

"Large sums of money have been expended of late years on irrigation, *i. e.*, on reproductive works." "The number of men called out on *côrvée* has been reduced from 281,000 to 11,000." "Imports have increased by over £2,600,000; while, notwithstanding the enormous fall in the price of cotton and sugar, there has been only a slight falling off in the value of exports." "The amount of bonds outstanding in the market in 1881 was £98,376,660, Sterling. In 1897 it was £98,035,780, Sterling—notwithstanding £13,219,000, Sterling, of fresh debt raised to cover extraordinary expenditure, and £3,400,000, Sterling, increase of capital due to conversion. The interest charge in 1881 was £4,235,921. In 1897 it was £3,908,684." "The market price of 5 per cent. Privileged Debt in 1881 was £96¼. In 1897 the market price of the same Debt converted into 3½ per cent. was £102." "The 4 per cent. Unified Debt was £71¾ in 1881, and at £106½ in 1897." "The amount of debt per head of population<sup>a</sup> was<sup>a</sup> in 1881, £14, 8 s., 9d. It is to-day (1897) £10, 0 s., 2 d."

E. W. KEMMERER.

TABLE I.  
REVENUE AND EXPENDITURE (IN MILLIONS OF POUNDS  
EGYPTIAN.)

YEAR.	Revenue received from Taxation.			Miscellaneous, includ. Extraordinary Receipts.	Railways, Telegraphs, Post Offices, etc.	Total Receipts	Ordinary Expenditure.	Extraordinary Expenditure.	Total.	Surplus (or Deficit), includ. Extraordinary Expenditure.
	Direct Tax.	Indirect Tax.	Total.							
	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.
1881	5.3	2.1	7.4	0.3	1.5	9.2	8.3	0.4	8.7	0.5
1882	5.4	1.8	7.2	0.3	1.4	8.9	8.8	0.3	9.0	-0.2
1883	5.2	2.0	7.2	0.2	1.4	8.9	8.6	1.6	10.2	-1.3
1884	5.4	2.1	7.5	0.2	1.7	9.4	9.3	0.8	10.1	-0.7
1885	5.4	2.2	7.6	0.7	1.8	10.2	9.3	4.6	13.9	-3.7
1886	5.4	2.2	7.6	0.6	1.5	9.7	9.6	0.7	10.3	-0.5
1887	5.5	2.2	7.7	0.4	1.6	9.8	9.2	0.9	10.1	-0.3
1888	5.5	2.3	7.7	0.6	1.6	9.9	9.6	2.0	11.6	-1.8
1889	5.5	2.4	7.8	0.6	1.6	10.0	9.5	0.5	10.0	-0.0
1890	5.5	2.7	8.2	0.5	1.7	10.4	9.6	0.9	10.5	-0.1
1891	5.3	3.0	8.3	0.6	1.9	10.8	9.5	0.5	10.0	0.7
1892	5.2	2.7	8.0	0.5	2.0	10.5	9.6	0.3	9.9	0.5
1893	5.1	2.9	8.0	0.5	1.9	10.4	9.6	0.4	10.0	0.4
1894	4.7	3.1	7.8	0.5	2.0	10.4	9.5	0.4	9.9	0.5
1895	5.1	3.0	8.1	0.6	2.0	10.7	9.5	0.2	9.6	1.1
1896	5.0	3.2	8.2	0.7	2.1	11.0	9.6	0.9	10.5	0.5
1897	5.0	3.4	8.4	0.8	2.2	11.4	9.8	1.0	10.8	0.7

TABLE II.  
RECAPITULATION OF LOANS, (IN MILLIONS OF POUNDS  
STERLING.)

Year.	Guaranteed Debt. Outstanding Jan. 1.	Privileged Debt. Outstanding Jan. 1.	Unified Debt. Outstanding Jan. 1.	Domains Debt. Outstanding Jan. 1.	Daira Samieh Debt. Outstanding Jan. 1.	GRAND TOTAL.		Bonds held by Public Debt Commission.
	Total Debt.	Interest and Sinking Fund.						
	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ E.	£ stg.
1881	-----	22.6	57.8	8.5	9.5	98.4	4.2	-----
1882	-----	22.5	57.0	8.4	9.3	97.2	4.2	-----
1883	-----	22.5	56.7	8.3	9.0	96.5	4.2	-----
1884	-----	22.4	56.0	7.8	8.8	95.0	4.1	-----
1885	9.4	22.3	56.0	7.7	8.8	104.2	4.1	-----
1886	9.4	22.3	56.0	7.5	8.7	103.9	4.3	-----
1887	9.3	22.3	56.0	7.4	8.7	103.6	4.3	-----
1888	9.2	22.3	56.0	6.9	8.6	103.0	4.3	-----
1889	9.2	22.3	56.0	5.5	8.6	101.6	4.3	0.6
1890	9.1	22.3	56.0	5.2	8.6	101.2	4.2	0.8
1891	9.1	29.4	56.0	5.0	7.3	106.8	4.0	1.2
1892	9.0	29.4	56.0	4.9	7.3	106.5	4.0	1.9
1893	8.9	29.4	56.0	4.8	7.2	106.4	4.0	2.5
1894	8.8	29.4	56.0	4.2	7.0	105.5	3.9	2.7
1895	8.8	29.4	56.0	4.0	6.6	104.8	3.9	3.5
1896	8.7	29.4	56.0	3.9	6.6	104.6	3.9	4.1
1897	8.6	29.4	56.0	3.8	6.6	104.4	3.9	5.0
1898	8.6	29.4	56.0	3.5	6.4	103.9	-----	5.8

TABLE III.—GENERAL RESERVE FUND OF CAISSE,  
(IN THOUSANDS OF POUNDS EGYPTIAN.)

Year.	Opening Balance.	Share of Surplus.	Proceeds of Sale of Land.	Interest on Investment.	Miscellaneous.	Total.	Expenditure. <sup>1</sup>	ADVANCES			Closing Balance.	Advances guaranteed by Reserve Fund & Expenditures to be Inc.	Balance.
								Buildings.	Railways.	Total.			
£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E
1887	—	68	—	—	—	408	—	—	—	—	408	—	408
1888	408	93	50	20	—	572	—	—	—	—	572	—	572
1889	572	130	42	30	—	775	—	20	—	20	754	—	754
1890	754	385	79	37	—	1,256	—	3	—	3	1,253	—	1,253
1891	1,253	445	12	57	1	1,769	32	1	—	33	1,735	677	1,059
1892	1,735	259	24	71	2	2,091	133	—	—	133	1,958	756	1,201
1893	1,958	257	16	67	15	2,313	—	—	495	495	1,818	787	1,030
1894	1,818	224	29	73	55	2,200	—	—	—	—	2,200	1,512	1,688
1895	2,200	354	11	84	42	2,691	16	19	124	159	2,532	1,327	1,205
1896	2,532	455	37	89	60	3,172	18	13	100	131	3,041	1,350	1,691
1897	3,041	630	41	115	47	3,874	43	—	6	319	3,554	1,893	1,661

<sup>1</sup> The expenditures are all for construction of public buildings except £E250,000 for drainage and irrigation and £E20,000 for other purposes in 1897.

## FINANCES OF BRITISH POSSESSIONS IN SOUTH AFRICA.

### INTRODUCTION.


The present division of the territory subject to British rule in South Africa according to governmental forms is comparatively simple. Two self-governing colonies, the Cape, and Natal; the region known as Rhodesia, governed by the British South African Company, and two protectorates, Basutoland and Bechuanaland, exhaust the present political divisions of the country. But this comparative simplicity is the result of a century of experimentation which, in the course of its progress, created all the forms of government control known in British Colonial experience, with an infinite variety of modulations. The frequent transfers of territory from one authority to another, and the appearance of new forms of control in the same region, constitute a history, bewildering in its details, which cannot readily be grasped by the foreign observer.

Yet while a detailed recital of the fortunes of these territories would be out of place here, some indication of the lines of development is necessary for a proper comprehension of the problems of government and finance which they offer. The story of British rule in Africa is the history of conflict with the natives on the one hand and the Boers on the other. In another light it is the story of the expansion of Cape Colony. This expansion has gone on at times directly under the auspices of the colonial government, at others under the direct initiation of the Imperial government. But in any consideration of the progress of South Africa during

our century, Cape Colony is the starting point and the nerve centre from which the various conflicting impulses have proceeded.

The territory which surrendered to the British forces in 1806, and was finally ceded to Great Britain by the Congress of Vienna some eight years later, was very restricted in area. It included little beyond the immediate vicinity of Cape Town and Table Bay. Its population numbered some 73,633 souls, of whom 26,720 were of European descent, 17,657 Hottentots, and 29,256 slaves. For a time no active work of settlement was undertaken. The rulers were English, the inhabitants Dutch. In 1820 Parliament voted £50,000 for the promotion of colonization, and 90,000 persons made application to be sent to the Cape. In this first emigration there were about 3,800 persons. The more westerly regions of the colony in the vicinity of Cape Town being in the hands of the Dutch residents, the newcomers settled further to the east, at Port Elizabeth and in the region of Albany. This brought them into direct contact with the Kaffirs, a more vigorous type of native than the Hottentots, whom the Dutch had already succeeded in holding in order. Thus the foundation was laid for a long series of encroachments upon native rule, which have in the course of a century entirely eliminated independent native control in any part of South Africa.

Whether the natives have always been entirely at fault in their conflicts with the whites is a question not to be discussed here. Enough for our present purposes that border troubles, whether provoked by the attitude of the settlers, or arising from the predatory instincts of the natives, have always been the occasion of the interference of the whites in native affairs. This interference has advanced by regular steps. It was soon found



that mere punitive expeditions against the border tribes had little effect, and that if native control was to be permitted to exist at all it must be regulated by the Europeans. Wherever the borders of the direct British territory may have been, we find on those borders protectorates arising. These protectorates recognized the authority of the chiefs in purely internal matters, but placed beside them a Resident Commissioner to represent British authority, to guard over the interests of the whites, and to repress if possible the outbreak of race conflicts. As the frontier advanced these protectorates became crown colonies of Great Britain, or were merged into existing colonies, while new protectorates grew up in the new border districts. This in particular has been the story of the advance of British rule towards the East which has gradually brought all the territory from Cape Town to the Natal boundary under the control of the British and under the administration of the Cape Colony. This district, now familiarly known as the Transkeian region, figured on older maps simply as Kaffirland. Later we see the name British Kaffraria, which in recent years has disappeared from the maps. At the same time the peculiar governmental conditions which existed prior to its incorporation in Cape Colony have not yet wholly disappeared. It is now a colony within a colony, or rather a territory of the Cape Colony, not sharing in the same way in the Cape Town government as other regions of the colony yet subject to its control.

An analogous development has taken place further to the east in the relations of Natal to Zululand. The splendid military organization created by a series of able chiefs rendered the Zulu territory a constant menace to the Colony. It was only after a bloody conflict

that the Zulu power was broken. The chiefs were taken under the tutelage of Great Britain and a protectorate proclaimed over their territory. The region has since been ceded in December, 1897, to the Colony of Natal and is now governed as a dependency of that colony, which maintains as does the Cape in the Transkeian region the same powers of control which formerly belonged directly to the British Crown.

To the north and through the central part of Southern Africa we first find a somewhat similar development. Until 1895 we find north of the Orange River the Crown Colony of British Bechuanaland, beyond this the Bechuanaland protectorate, and still further to the north the territories of the British South African Company, representing three different degrees of control. In 1895, however, British Bechuanaland was incorporated in the Cape Colony, the Bechuanaland protectorate still exists while the governmental interference and control has increased in the regions of the chartered Company. At first the authority of the company rested upon treaties formed with native chiefs, but since the Transvaal raid of Dr. Jameson the English government has established its own magistrates in this district, and practically assumed the political control of the region leaving the industrial and economic exploitation of the region in the hands of the Company.

The development of British rule in South Africa has been on the one hand a series of encroachments upon native territory. On the other it has been since 1836 a series of conflicts both warlike and diplomatic with the Boers. It is needless to recite the causes which brought about the discontent of the Dutch population in the Cape Colony early in the thirties. Enough that great bodies of them became disaffected and emigrated

into new regions where British rule was unknown and where they hoped to escape from British authority. They made their first halting place in Natal where in 1839 they established themselves after a severe struggle with the native inhabitants. Britain regarded them as British subjects and would not consent to the establishment of an independent government. In 1842 an armed force entered Natal and after meeting with some reverses subdued the Boers. From that time onward Natal was ruled as a British colony.

Nothing daunted the more enterprising Boers refusing submission, crossed the formidable Drakensberg Mountains and settled in the regions of the upper courses of the Orange River. Here they were joined by disaffected Boers from the Cape Colony and formed the nucleus of the present republican states. Towards these colonists Great Britain's policy has been wavering, seeking at times to coerce them into submission and disposed at other periods to leave them to their own devices. But whatever may have been her policy as regards the internal affairs of the two republics, she has been ever zealous to limit their territory. It has been this rivalry between the Boer and the Britain which has stimulated the advance of British rule in South Africa. Great Britain has sedulously endeavored to prevent their gaining an outlet to the sea and in this effort she has gained control of the sea coast from the German dominions in West Africa to the Portuguese territory on the eastern coast. She has diplomatically stiffened the back of Portugal to prevent her from ceding any part of her territory to other powers, and has established a species of first mortgage on Delagoa Bay should Portugal ever be disposed to part with that possession.

Physical barriers cut off the Boer republics from the

sea coast but no well defined physical lines separate them on the West and North from British territory. The natural expansion of the Boer power would have occurred towards the west had not Great Britain by seizing these territories while still under native rule set limits to the territorial extension of Boer rule.

Thus we see that the present distribution of power in Southern Africa has been the result of this continual encroachment upon native territory stimulated and hastened by the rivalry with the Boer.<sup>1</sup> In this development various forms of governmental control have arisen and have disappeared. It has been a continual shifting of authority and power, and while we may not have space to trace all the details of its history, a general view of the antecedents of the present territorial divisions is helpful to a comprehension of the existing conditions.

#### CAPE COLONY.

*Government.* Prior to the year 1872, Cape Colony was governed as a crown colony. The Governor, appointed by England, had entire control of legislation as well as administration. In his labors he was assisted by an appointed Council. His functions included not only the government of the more settled portions of the Colony, but also the conduct of all relations with the native tribes. He was the representative of British power in South Africa. With the establishment of self-government for the Cape Colony, the governor has retained these miscellaneous functions not only in relation to the native tribes within the Colony, but also to the whole of South Africa, having received in addition to his title as Governor of the Cape the further dignity of High Commissioner for South Africa.

<sup>1</sup> These lines were written in September, 1899.

With the establishment of self-government in the year 1872, the control of the colonial affairs passed into the hands of the colonists themselves, with the exception of such as were reserved to the Imperial government. The governor is appointed by the Crown, and possesses the prerogatives which are usually attached to that office. His position is similar to that of the monarch under a constitutional form of government. He has the right to appoint and dismiss his ministers, though the latter must always be in harmony with the Parliament. With regard to legislation, he approves or withholds his assent from the measures of Parliament or can reserve them for the approval of the Queen. All appropriations must be approved by him before they are submitted to the Parliament. Bills may be returned to Parliament for amendment.

The control of the mother country over the affairs of the Colony is confined to the Executive and Judiciary, as the courts of Great Britain are the ultimate arbiters of cases which arise in the colonial courts.

The Ministry, or Cabinet, is composed of five members, the definition of whose duties gives a general idea of the functions of government. The Premier is not assigned to any particular portfolio. His colleagues are the Colonial Secretary, whose office supervises the civil service, the various divisions of the Colony, and controls the post and telegraph departments, deeds, registry, defence, education, hospitals, and asylums; the Attorney General, the law adviser and public prosecutor, who controls the department of administration and justice, the convict establishments and police; the Treasurer General who is the financial officer in charge of all taxation, and to whom is entrusted also the departments of agriculture and mines; the Commissioner

of Crown Lands and Public Works who supervises railroads and other public works, light houses, and harbors ; and the Secretary for Native Affairs in charge of all relations with the aboriginal tribes. The ministers receive a salary of £1500 per annum.

The Legislature consists of two houses: the Council of 22 members, and the Assembly of 76 members, the members of both houses being elected by popular vote. A property qualification, namely, the possession of immovable property to the amount of £4000, or of movable and immovable property to the value of £4000, is prescribed for members of the Council. They are elected from eight electoral circles or provinces, seven of which return three members, and one (Griqualand West) returns one member. To the Assembly any qualified voter may be elected. The franchise is confined to voters who are British subjects, resident in the colony for 12 months prior to registration, and who occupied property to the value of £75 or received salary of not less than £50 annually. There is no distinction of race or color.

*Local Government and Finance.*—Local government is in the hands of divisional councils elected by the taxpayers. There are also municipal governments in the larger towns, village boards in the smaller communities, and harbor boards in a few sections which have an independent and autonomous existence.

There are in the colony (1898) seventy-four of these divisional councils. They are charged with the maintenance of roads, the protection of the country from noxious plants and wild animals, the settlement of questions relating to land boundaries, and the inspection of crown lands which it is proposed to offer for sale. They have independent powers of taxation and raise in this

way the greater part of the necessary revenue. But as population is very sparse, the outlay in the different localities is as a rule small. It attains considerable proportions only in the divisions of the Cape when expenditures were £40,575 in 1898. Next in order follow Port Elizabeth, £9,068, and Kimberly, £7,325, while the remaining seventy-one divisions are represented by much smaller quotas. This can be gathered from the following statement of receipts and expenditures for all these bodies :

	Receipts.	Expenditures.
1894.....	£179,611	£174,254
1895.....	176,719	179,180
1896.....	163,533	174,722
1897.....	178,709	166,860
1898.....	174,238	175,984

An analysis of a single year (1898) will suffice to show the nature of the financial operations of these bodies.

Receipts.	1898.
Rates, road, special, health and taxes .....	£133,642
Tolls and ferries .....	20,472
Loans raised .....	98
Interest received .....	938
Subscriptions for roads and grants from the colony .....	10,347
Miscellaneous, including proceeds of pound, sales, leases, fines, etc .....	8,741
Total .....	£174,238
Expenditures.	
Salaries and allowances to officers .....	25,524
Roads, streets, bridges, and materials .....	123,218
Loans repaid .....	2,474
Interest paid .....	1,820
Miscellaneous .....	22,948
Total .....	£175,984

The items of interest paid and received point to bank balances and to debts. The latter on Dec. 31, 1898, including bank overdrafts, amounted to £41,309.

Rather more important in their financial relations are

the municipalities, of which there were eighty-four in 1898. For the most part they are small towns of little importance, since four of their number—Cape Town, with expenditures of £298,843; Port Elizabeth, with £92,376; Graham's Town, with £48,571, and Kimberly, with £43,941—spent nearly one-half of the entire sum reported as spent by such bodies in 1898. The aggregate financial operations of all cities have been in recent years :

	Receipts.	Expenditures.
1894.....	£799,358	£548,302
1895.....	457,629	596,049
1896.....	511,255	580,833
1897.....	603,692	617,555
1898.....	778,445	806,336

The figures for 1897 and 1898 are not quite complete, since returns for some of the minor towns are lacking. Using, therefore, the figures for 1896, an analysis of the receipts and payments will afford us some insight into the activities of these city governments.

Receipts.	1896.
Municipal, water, and other rates and taxes.....	£267,329
Market dues.....	24,608
Pound fees, leases of pounds, pound sales.....	1,552
Registration and other fees and fines, etc.....	6,778
Licenses (to graze cattle, exercise trades, fell timber, etc.)..	7,008
Hire of hall, house, and land rent, sale of land and lease of brick lands, etc.....	46,940
Loans raised.....	102,458
Loans repaid.....	13,765
Interest received and debts recovered.....	37,208
Total.....	£511,255
Expenditures.	
Salaries and allowances to officers and collectors of rates..	£ 62,966
Water works, roads, streets, bridges, materials, etc.....	316,523
Fire engine establishment.....	4,840
Debts and interest paid.....	146,220
Rent.....	807
Contribution in aid of police.....	15,517
Miscellaneous, including refunds.....	33,960
Total.....	£580,833

In these totals, debts and interest charges play a larger role than in the case of the divisional councils. In fact, on Dec. 31, 1898, the outstanding debts of the cities amounted to £1,859,425, in which the share of Cape Town was £810,171.

There are seventy-seven village boards throughout the colony, which in 1898 spent for public purposes £10,933.

There are, furthermore, five Harbor Boards in the colony with the following financial operations in 1898:

Receipts.		Expenditures.	
Loans .....	£348,889	Construction.....	£341,134
Revenue .....	471,916	Maintenance.....	362,902
Other.....	62	Interest.....	77,198
		Other.....	66
Total .....		Total .....	
£820,867		£781,300	

The outstanding debt of these corporate bodies Dec. 31, 1898, was £3,106,475.

*Revenue System of the Colony.* The revenue of the Cape Colony is derived exclusively from colonial resources. The colonial budget receives no direct contribution from the Imperial Treasury. Whatever aid comes to the Colony from the mother country is found in expenditure in behalf of the colony and will be treated under that head.

The ordinary revenue of the Colony is derived from three principal sources, classified in the financial statements as follows:—taxation, the Colonial estate, and public services.

The relative importance of the various sources of income is shown in the following statement for the year ending June 30, 1898.

Taxation .....	£2,318,190
Colonial estate .....	336,954
Services rendered.....	3,695,198
Other income.....	186,133
Total ordinary revenue .....	£6,536,475

Under the head of taxation by far the most important branch of revenue is the customs duties, which amounted in the year 1898 to £1,803,316.

The custom duties are regulated by a treaty forming the South African Customs Union. This originated in the year 1888 by an agreement between representatives of the colonies of Cape of Good Hope and Natal, and the Orange Free State. The Colony of Natal refused to ratify the Customs Union thus drawn up. It has, however, been enlarged by the addition of Bechuana-land, before its incorporation as a part of Cape Colony, and by Basutoland. The principles governing this Union are a uniform tariff upon all goods imported into the Union, and absolute free trade between the territories which are parties to the Union. The collection of duties is cared for by each contracting government for the goods which cross its boundaries. Whenever goods are to be sent to another country, it is the duty of the government collecting the duties to transfer  $\frac{3}{4}$  of the amount collected to the government for whose country such goods are destined. As the internal trade of Africa is small it is in practice therefore, to a large extent, the government of the Cape, which acts as the executive organ of the Union. At the time of this formation, it was hoped that the South African Republic might be induced to become a party to the compact, but these hopes have not been realized. The tariff which is in force is uniform throughout. As the Union includes the Orange Republic, it is obvious that no privileged position could have been granted to goods imported from the mother country. It is, however, equally obvious that no duties are collected upon goods which are introduced into the Union for the purposes of the Imperial

Government, or for the government goods of any of the contracting parties.

While a statement of tariff rates would throw some light upon the nature of customs taxation, the mere enumeration of rates would give no clue to the importance of various articles in the fiscal system of the colony. We have, therefore, selected the articles or groups which in 1898 produced a customs revenue of £20,000, and with reference to the values of these goods, have calculated ad valorem rates of actual taxation. This information is given in the following statement :

	Customs Revenue. [000 omitted.]	Value of Imports.	Calculated Rate of Duty. Per Cent.
Wheat .....	£ 210	£ 781	26.83
Sugar, unrefined .....	109	390	28.01
Haberdashery and millinery .....	106	1,277	8.28
Whiskey .....	76	86	88.31
Apparel and slops .....	59	729	8.13
Cotton piece goods .....	58	699	8.25
Hardware not specified .....	51	732	6.95
Ale and beer .....	49	101	48.43
Boots and shoes .....	43	527	8.24
Cigars .....	34	51	67.52
Butter .....	32	152	20.11
Mineral oil .....	30	73	40.89
Preserved fish .....	28	90	31.08
Cigarettes .....	28	48	57.32
Furniture and cabinet ware .....	27	336	7.87
Cheese .....	26	68	38.84
Dynamite and blasting powder .....	26	115	22.75
Soap, common brown .....	24	88	27.80
Meats, preserved .....	23	109	20.73
Candles .....	21	49	43.67
Hosiery, cotton .....	21	270	7.73
Drugs and chemicals .....	20	177	11.57
Total .....	£ 1,081		

Other forms of taxation accordingly produced, in 1898, £514,874; of these by far the most important were transfer duties (£122,473); stamp duties (£201,456) and licenses (£147,916).

The income from the colonial estate includes the revenue arising from the sale of lands, mining rights, and similar sources of revenue. With the growth of the Colony, and the gradual alienation of the public lands, this source of revenue becomes less important. In this group is included, moreover, the proceeds of the hut tax (1898, £81,473). This is collected particularly in the Transkeian District to which allusion has already been made. Here the natives retain their tribal organization, and contribute to the government expenses through this primitive method. The hut tax is found pretty generally throughout South Africa. It varies in amount, though the probable annual average is in the neighborhood of 10 shillings per hut.

At the present time, the most important source of revenue in the Cape is the group designated as public services, which includes the railway, telegraph, and postal revenue. The receipts from railways are by far the most important. How far the figures which occur in the budget represent net profits can only be understood by a reference to the expenditures for this purpose. The net gain to the State is something in the neighborhood of £1,000,000 per annum. In the revenue attributed to public services in 1898, in the aggregate £3,695,198, the share of railway receipts was £3,101,818, of telegraph receipts £150,971 and post office income £327,737. As all of these receipts are offset by corresponding payments, these topics can be more advantageously treated under the head of expenditures.

In the miscellaneous receipts which in the aggregate are small, the most notable item appears to be interest and premiums (£148,198 in 1898).

*Public Expenditure.* The ordinary expenditure of Cape Colony for the fiscal year 1898 amounted to

£7,082,235. Some leading items of expenditure were

Public debt.....	£1,248,700
Railroads, working and maintenance.....	2,058,587
Defence.....	485,338
Police and jails.....	534,896
Civil establishment.....	176,210

The expenditure for the public debt occupies a comparatively large place in the budget. As will be seen when we come to the history of the public debt, a very large portion of it has been credited for what are termed "productive investments", the greater part of it having been expended in the construction of railroads. Of the debt outstanding December 31st, 1898, amounting to £28,377,922, £5,247,003 had been applied to purposes which are commonly described as unproductive.

The expenditure for railroads represents in the main the operating expenses of the railroad lines. Of course, here, as elsewhere, the line is difficult to draw between operating expenses and permanent improvements in construction and equipment. It is believed that the Cape Government has followed in this respect a conservative course. The statement is made "That Civil Services which properly belong to railway construction have, from time to time, been provided for in the ordinary votes for the working and maintenance of railways, and their cost is thus included in the ordinary expenditure of the colony."

It appears, moreover, that the administration has applied some part of its earnings directly to railway construction, before making a return to the fiscal authorities. Such expenditure which, up to June 30, 1891, was estimated at one million and a half, would naturally diminish the receipts drawn from this source.

The development of the railroad system has been a

characteristic feature of government activity in the Cape Colony. Of this development, Noble says :

“ But among the undertakings which, more especially of late years, have marked the enterprising spirit of the colony, has been the energetic expansion of its railway system. The first railway was projected during the governorship of Sir George Grey, who turned the first sod of the Cape Town and Wellington line on the 31st of March, 1859. This line, fifty-eight miles in length was constructed by an English company under a guarantee of a rate of interest of 6 per cent. per annum on a sum of £500,000. In 1862 private colonial enterprise started a short branch line, from Salt River to Wynberg, without any guarantee or subsidy ; and later on another line, from Port Elizabeth to Uitenhage, was commenced by a private company. All these lines, however, afterwards passed by purchase into the hands of the government. In 1874, consequent upon the general prosperity resulting from the discovery and development of the diamond mines in Griqualand West, legislative authority was given for carrying on railway construction upon a large scale from the three principal seaports of the colony,—Cape Town, Port Elizabeth, and East London. Subsequently, these works were authorized to be extended inland, forming three main systems, converging towards Kimberley and the Orange Free State, and afterwards junction lines were formed connecting them with one another.”

The further development of railway activity in South Africa was due to the Customs Union already mentioned. The same conference which settled the basis of the Customs Union also made an agreement with the government of the Orange Free State for the extension of the railway system.

“The Orange Free State Government, having thus been placed in receipt of a share of customs duties estimated to yield an addition to its revenue of £100,000 per annum, at once resolved upon railway extension within its own border, in junction with the colonial lines; and, after negotiations, an arrangement was come to, in terms of a convention, by which the Cape Government undertook to construct and work a through line from the Orange River to the Vaal River, connecting with the Witwatersrand gold-fields, until such time as the State is prepared to acquire the line by purchase. This Convention established the principle in South Africa of the government of a maritime colony undertaking the construction and working of a railway in territory beyond its political jurisdiction. It was followed up by an agreement being concluded between the Cape Government and the Netherlands South African Railway Company, under sanction and guarantee of the South African Republic, for the speedy completion of the railway from the northern banks of the Vaal River to Johannesburg and Pretoria, running powers and through traffic arrangements over these lines (89 miles in length) being granted to the Cape administration until December, 1894, in return for an advance of funds at a fair rate of interest.”

The success of the railway policy of the Cape from the financial point of view is described by Noble as follows:

“It only remains to consider how far the construction of railways has proved a profitable investment; and as it is quite impossible to reduce to figures the enormous indirect advantages of cheap and speedy transport between different parts of the Colony, attention is necessarily confined to its purely commercial aspect as an investment.

"From this point of view it must be admitted that for a number of years, the railways of the Colony did not pay full interest on the capital invested, and indeed some lines do not even yet pay their working expenses.

"In June, 1891, the Controller and Auditor-General prepared an account showing approximately the capital expenditure on government railways, the interest actually paid on such capital, and the net profits on the working of such railways from the 1st of January, 1873, to the 30th of June, 1890. According to this account the net profits, or excess of revenue over working expenses, from 1873 to 1890 amounted to £4,635,907, while the interest actually paid on borrowed capital amounted to about £5,967,795, showing in 16½ years an excess of interest paid over the net profits of £1,331,888, or an average loss of about £80,750 per annum. The direct loss during the above period is really considerably more than is here stated, for no interest has been charged on the large contribution from surplus revenue, whether duly authorized to be appropriated for railway purposes or temporarily advanced. Nor has interest been charged on the railway loans repaid out of current revenue."

The successive annual reports of the General Manager of Railways, however, show that in recent years the colonial railways have, as a whole, returned a very fair interest on the capital, as follows :

Calendar Year.	Capital Expended.	Capital Entitled to Interest. [ooo omitted.]	Net Earnings.	Percentage of Earnings on Capital.		
				£	s	d
1888.....	14,214	14,214	695	4	17	10
1889.....	14,527	14,283	822	5	15	1
1890.....	16,264	14,656	849	5	15	10
1891.....	18,175	16,687	779	4	13	4

While the above averages are very satisfactory, this

condition is due to the fact that, while several lines pay very well, one line in particular, viz., the main line on the Midland System, yields a splendid return, which more than covers the losses on certain other lines. For example, this main line has yielded the following percentages on its capital: In 1888, £12 4s. 11d. per cent.; in 1889, £13 6s. 9d. per cent.; in 1890, £13 8s. 10d. per cent.; and in 1891, £11 9s. 9d. per cent. On the other hand, several lines usually show a deficit—that is to say, the revenue does not even cover the working expenses. Thus, in 1888, the line to Graaff Reinet showed a deficit of £14,524 or a loss of £1 1s. 1d. per cent. on the capital in excess of interest paid thereon. On the King Williamstown branch the loss on a very much smaller capital was £1 15s. 11d. per cent. Besides these there were two other smaller losses. In 1889 five lines showed losses, of which the largest—that on the Graaff Reinet line—was £11,854, or £0 17s. 2d. per cent., while the largest percentage loss was £1 1s. 6d. per cent. In 1890, four lines showed losses, the highest percentage being £0 16s. 10d. per cent. In 1891, four lines again showed losses, the heaviest loss as well as the largest percentage (£1 11s. 7d. per cent.) being on the line from Wynberg to Simon's Town."

The development of the railway system has been rapid. In 1873 there were 64 miles of line opened; in 1875, 150; in 1880, 906; in 1885, 1,599; in 1890, 1,890, and in 1895, 2,253. In 1897 the Orange Free State took over 361 miles of line within her own territory and the mileage of the Cape Colony system was reduced by that amount.

The third item of expenditure which appears on our list is that for defence. The expenditure for this purpose is borne in part by the colony, and in part by the

mother country. The Imperial troops in 1897 stationed in the colony numbered 545 officers and 8,240 non-commissioned officers and privates. The expense to the mother country of this establishment in recent years has been: In 1896, £211,264; in 1897, £275,474, and in 1898, £306,308. This does not exhaust the share of the mother country in providing for the defence of the colony, as Great Britain maintains a permanent naval squadron in South African waters. The squadron consisted in 1898 of 13 men of war, mounting 92 guns, and having a total tonnage of 37,035 tons. It is maintained at an approximate cost of £200,000 annually.

On the other hand, the colonial forces consist of the Cape Mounted Rifles, numbering 1,003 officers and men, and the volunteers, 6,953 officers and men, who are maintained by the colonial authorities. In addition to these organized forces, every male citizen of the colony, between the ages of 18 and 50, is liable to be called upon for military service in case of need. The colonial government has in addition coöperated with the Imperial government in the construction of the fortifications of Table Bay, Simon's Bay, and the Cape Peninsula. The colony furnished the necessary materials and labor, while the Imperial government provided the designs and the armament of these fortifications. In the year 1898, moreover, the colonial Parliament voted the sum of £30,000 for the maintenance of Imperial troops within the colony.

Among the remaining items of expenditure we may mention that for science and education (£231,687 in 1898.) "Schools are not maintained by the public authorities, the expenditure of the State taking the form of grants in aid for the encouragement of local bodies and private enterprises. The main purposes for

which grants are appropriated are, (1) in aid of the expenses of the Cape of Good Hope University and bursaries; (2) in aid of the salaries of professors and lecturers in college training for the University course, and of teachers in the several undenominational public schools, district boarding schools, mission schools, aborigines' day-schools, native industrial schools, as well as schools of art and elementary teachers; (3) capitation allowance towards private farm schools, circuit teachers' schools, boarding schools, and indigent children in these schools in the country districts, as well as to native boys and girls receiving training in industrial institutions; (4) in aid of school buildings, the equipping of schools, and good service allowance to teachers."—*Noble*.

The postal expenditures of 1898, £290,777, were more than offset by the receipts, leaving a net revenue of £36,960. On the other hand the maintenance of telegraphs at a cost of £163,926 resulted in a deficit of £13,955, in addition to costs of construction of £39,416 provided for in the ordinary budget of the Colony.

Space does not permit a mention of expenditure in all its details. (See appendix). With two exceptions the remaining branches of expenditure are the general expenses of government everywhere. One exception is the expenditure for native affairs which includes costs of administration, allowances to native chiefs, and education of the natives. It amounted in 1898 to £309,667. The other is a charge peculiar to this government, namely the payment of a share of customs receipts to the other governments in the Customs Union. The entire customs collected being credited to the receipts, the amount paid over to other governments, in 1898, £133,956, must be charged to the expenditures.

*Receipts and Expenditures.* In comparing the receipts and expenditures we can, down to the year 1891, utilize the summary of Noble, which is as follows :

"In the calendar year 1866, the total revenue from all sources amounted to only £536,347, and in the financial year 1891-92 it amounted to £4,495,344, or excluding railway revenue to £2,493,304. The latter amount indicates an increase of about 344 per cent., or on an average nearly 17 per cent. per annum on the revenue of 1866.

The actual rate of progress, however, has been far from constant, even the comparatively short period of twenty-six and a half years having included more than one cycle of general depression and shrinkage; but without entering into details, variations in the rate of progress are sufficiently shown by the following averages :

Period.	No. of Years.	Average Annual Revenue. [ooo omitted.]
1-1-66-31-12-70.....	5	586
1-1-71-30-6-76.....	5½	1,275
1-7-76-30-6-81.....	5	2,106
1-7-81-30-6-86.....	5	3,241
1-7-86-30-6-91.....	5	3,799

"The revenue may be classed under four heads: (a) Taxation (including customs, transfer duty, stamps and licenses, etc.); (b) Income from the Colonial Estate (including land revenue, hut tax, land sales, mines, etc.); (c) Payment for services rendered (including railway, telegraph, postal revenue, etc.); (d) Sundry heads, which cannot well be classed under any one of the preceding heads.

"Such an apportionment of the revenue cannot conveniently be given for any year previous to the financial year 1876-77, but the three quinquennial averages from

the 1st of July, 1876, already given, may be shown as follows :

Period of 5 Years.		(a) Average Annual Taxation [ooo omitted.]	(b) Average Annual Income from Colonial Estate.	(c) Average Annual Payment for Ser- vices rendered	(d) Average Annual Other
1-7-76	30-6-81 .....	£1,239	£202	£ 629	£38
1-7-81	30-6-86 .....	1,611	259	1,281	89
1-7-86	30-6-91 .....	1,576	298	1,883	37
Annual average for whole period		£1,475	£253	£1,266	£55

The ordinary expenditure of the Colony may be similarly exhibited as follows :

Period.	No. of Years.	Average Ordinary Expenditure. [ooo omitted.]
1-1-66 31-12-70 .....	5	£ 040
1-1-71 30- 6-76 .....	5½	902
1-7-76 30- 6-81 .....	5	2,053
1-7-81 30- 6-86 .....	5	3,448
1-7-86 30- 6-91 .....	5	3,571

“Such expenditure is charged to one or other of about 85 annual votes, and is again classed according to the nature of the service under 21 principal heads.

“The last published report of the Controller and Auditor-General, that for 1890-91, shows that, during the fifteen years to the 30th of June, 1891, the total revenue has amounted to £45,728,762, while the ordinary expenditure for the same period has amounted to £45,508,967. The latter includes £9,615,038 spent on the working and maintenance of railways, and £12,999,031 paid as interest on and redemption of the public debt—excluding from the latter all loans converted or renewed.

“While the above shows an aggregate excess of revenue over expenditure during 15 years of only about £220,000, there was a period of exceptional prosperity from 1870 to 1875, during which a deficit of £1,054,914 (with

which the ordinary revenue and expenditure account opened on the 1st of January, 1870) was converted into an almost identical surplus of £1,054,748 on the 30th of June, 1876, so that on the whole period from the 1st of January, 1870, to the 30th of June, 1891, the excess of ordinary revenue over ordinary expenditure amounted to £2,338,882. It will be shown that the excess of these savings over the deficit balance on the 1st of January, 1870 (amounting to £1,283,968), may be said to have been invested in railways."

To the foregoing statement it will suffice to add merely the figures for subsequent years. The receipts were :

Fiscal Year Ending June 30th.	Taxation. [ooo omitted.]	Colonial Estate.	Services.	Other Receipts.
1892 -----	1,749	347	2,343	57
1893 -----	1,836	351	2,732	53
1894 -----	1,951	354	2,895	121
1895 -----	1,903	337	3,070	80
1896 -----	2,418	375	3,927	83
1897 -----	2,936	306	4,024	124
1898 -----	2,318	337	3,695	186

In the expenditures the relative position of the different items has changed little. Figures for the details of expenditure are given in the appendix. We may, however, compare here the ordinary receipts and expenditures since 1891. They were as follows :

Fiscal Year Ending June 30th.	Receipts. [ooo omitted.]	Expenditures.
1892 -----	4,495	4,316
1893 -----	4,971	4,668
1894 -----	5,321	5,297
1895 -----	5,390	5,152
1896 -----	6,804	5,651
1897 -----	7,390	6,852
1898 -----	6,536	7,082

Noble's summary, already quoted, begins with 1866. It requires a survey over a somewhat longer period of

time to fully appreciate the rapid growth of the colony of recent years. A few earlier figures of receipts and expenditures may be added.

	Revenue.	Expenditures.
1830.....	134	121
1840.....	171	182
1850.....	246	246
1860.....	743	730
1870.....	874	796

*Expenditure Chargeable to Loan Acts.* "While expenditure on many public works of very considerable importance has been charged as ordinary expenditure, and is thus included in the amounts already mentioned as paid out of ordinary revenue, the greater part of the expenditure on the construction of railways, on a number of more important public works, and on the suppression of native disturbances, etc., has been charged in separate accounts to the proceeds of loans raised.

"Previous to 1876 the accounts of the colony did not exhibit any such marked distinction as regards expenditure, but the accounts from 1870 to 1875, inclusive, have been recast by the present Controller and Auditor-General from that point of view, and the results may be summarized in quinquennial periods as follows :

Period.	Total Expenditure Railway Construction.	Total Expenditure Other Public Works, etc.	Total Expenditure Native Rebellion.
	[ooo omitted.]		
1-1-70-30-6-76....	£ 2,070	£ 257	-----
1-7-76-30-6-81....	6,710	820	£ 3,098
1-7-81-30-6-86....	5,361	702	1,697
1-7-86-30-6-91....	2,921	164	-----
Total to 30-6-91..	£ 17,063	£ 1,943	£ 4,795

"Besides the above, £310,663 has been expended in payment of those liabilities of Griqualand West which existed at the time of its annexation to the colony,

and £228,769, forming a portion of moneys advanced since 1882, out of borrowed moneys, as loans for irrigation and public works carried out by local bodies or private persons, is still outstanding."—*Noble*.

*Public Debt.* "The oldest existing public loan of the Colony dates from August, 1863. The issue of debentures represented £255,400, and the existing balance of this loan (reduced by conversion to £122,300) is repayable on the 31st of December, 1900.

"Nearly all the loans raised from 1852 to 1866 bore interest at 6 per cent., but the particular loan above referred to bears only 5 per cent. interest, and, as might, therefore, be expected, it was raised at a large discount.

"The existing 6 per cent. public loans, including those raised for Harbor Boards, fall considerably short of £200,000. About £750,000 has been raised on 5 per cent. perpetual annuities called Colonial Stock. This stock is now very valuable, and though less than ten years ago some of it was issued at par, it is now saleable at £129 per cent., and in view of the present price of  $3\frac{1}{2}$  per cent. stock, is really worth much more than that. There also exists at the present moment nearly £800,000 of 5 per cent. debentures, issued in 1883, but these it is expected will be repaid before the end of the present year, 1893.

"Between 1872 and 1880 large loans were raised at  $4\frac{1}{2}$  per cent., subject to the operation of a cumulative 1 per cent. sinking fund. These have been partly repaid on annual drawings, and have been largely converted into 4 per cent. and  $3\frac{1}{2}$  per cent. Consolidated Stock, so that the existing debt bearing interest at  $4\frac{1}{2}$  per cent. scarcely exceeds £2,000,000.

"Large loans bearing interest at 4 per cent. have been raised since 1883, and while they have been partly

applied to cover railway construction and the suppression of native rebellion, they have chiefly been devoted to the redemption of other loans. Thus nearly four millions of 4 per cent. stock were issued in exchange for 5 per cent. debentures of the so-called 1883 or 10-40 loan, while between nine and ten millions of 4 per cent. stock have been issued under the authority of Act 16 of 1886, in exchange for debentures which bore interest at from 4 to 6 per cent.

"Since March, 1890, all loans, whether raised in the Colony or in England, have been raised at  $3\frac{1}{2}$  per cent. All these  $3\frac{1}{2}$  per cent. loans, amounting at this date (February, 1893) to nearly  $5\frac{1}{2}$  millions, have hitherto been raised at a discount varying from 13s. 3d. to £4 9s. 9d. per cent.; but according to the latest London quotations this stock is already at a premium of about 2 per cent. exclusive of accruing interest. To meet the convenience of the public it has been arranged that the domicile of these loans may on application be transferred from the Colony to London, or *vice versa*."—*Noble*.

The purposes for which the public debt has been raised are indicated in the following table which gives the amount outstanding December 31st, 1898.

Reproductive Works :

Railways .....	18,525,102
Bridges .....	372,263
Telegraphs .....	179,765
Irrigation .....	34,168
Harbors .....	3,393,566
Loans :	
Local works .....	231,219
Irrigation .....	85,337
Netherlands railway .....	389,509

## Unproductive :

Hospitals .....	25,837
Roads and bridges .....	56,388
Buildings .....	314,473
Revenue shortfall .....	489,552
Immigration .....	235,463
Griqualand West liabilities .....	289,321
War expenses .....	3,714,694
Railway subsidies .....	110,439
Railway expropriation .....	10,836
	<hr/>
	5,247,003
	<hr/>
	28,377,922

## NATAL.

The colony of Natal owes its separate existence to its distance from Cape Town, and to the presence of unsettled regions inhabited chiefly by natives in what are now known as the Transkeian provinces of the Cape Colony. These for a long time made land communication between Cape Colony points and Natal difficult and even at the present time there is no railroad connection between Cape Town and Pietermaritzburg except in a round about way through the Transvaal.

When in 1836 the great "trek" of the discontented Boer farmers took place, their first resting place was Natal. Here, after 1839, they established an independent government. But the colonial authorities not recognizing the right of British subjects to set up an independent sovereignty, sent troops to occupy the district, and after defeating the Boers in 1842, Natal became a part of the Cape Colony. It was governed by a Lieutenant Governor resident in the Colony. In 1856 it was created a crown colony, and in 1893 was granted responsible government. The present government is described in the "Statesman's Year Book" (1899, p. 203-204) as follows :

"By the Constitution Act (Law No. 14, 1893), which came into force July 20, 1893, the legislative authority

resides in the Queen, a Legislative Council, and a Legislative Assembly. Her Majesty is represented by the Governor, whose assent (revocable within two years, in manner prescribed) is required to all bills before they become law. The Governor appoints the ministers, and with their advice, the members of the Legislative Council.<sup>1</sup> He issues writs for general election of members of the Legislative Assembly, fixes the place and time of the sessions of the legislative bodies, and may prorogue or dissolve the Assembly. He may also, by message, transmit the draft of any bill to be introduced in either house. The Legislative Council consists of eleven members, each of whom must be at least thirty years of age, must have resided ten years in the colony, and must be registered proprietor of real property of the net value of £500. Members hold their seats for ten years, provision being made for the withdrawal of five at the end of the first five years. The President is appointed by the Governor. The Legislative Assembly consists of thirty-seven members chosen by the electors. Each Legislative Assembly continues for four years, unless sooner dissolved. It meets annually or oftener, appoints its Speaker, and adopts (with the approval of the Governor) its own standing rules and orders. Money bills must originate in the Assembly, and the Legislative Council may accept or reject but not alter them. No money bill, however, for any purpose not first recommended to the Assembly by message of the Governor can be passed in the session in which it is proposed. No person can be a member of the Assembly who is not a duly qualified and registered elector. Members receive an allowance of £1 a day during the session.

<sup>1</sup>The first Legislative Council was nominated solely by the Governor.

"Electors are qualified by the possession of immovable property of the value of £50, by payment of rent for such property of the annual value of £10, or (having resided three years in the colony) by having an income of £96, per annum, inclusive of allowances. Electors (1896), 9,208.

"The executive authority resides in a body of not more than six ministers, each of whom must be, or must within four months become, a member of one of the legislative bodies. Each may sit or speak in either house, but may vote only in that of which he is a member."

In its governmental organization the colony seems to be a reduced copy of the Cape Colony. Like that colony it has its dependence, Zululand, which is governed by a resident magistrate much in the same manner as the Transkeian territories. It owns its own railroads (487 miles in length) and telegraph system, and has a public debt due largely to the construction of these public works. For the defence of the colony mounted police numbering 490 men and volunteers, 1,391 in number, are maintained. Education figures in the budget of 1897 with an expenditure of £45,455. Beyond these meagre facts the only information regarding the financial affairs of the colony which we have been able to attain is contained in the following statistical summary :

#### LEADING RECEIPTS.

[000 omitted.]

Fiscal Years Ending June 30 <sup>th</sup> .	1892.	1893.	1894.	1896.	1897.
Railways .....	665	479	447	746	1,285
Customs .....	301	216	191	265	413
Excise .....	20	20	20	20	20
Land sales .....	46	44	36	38	44
Mails .....	48	39	37	46	57
Telegraphs .....	15	14	13	22	23
Stamps and license .....	24	22	23	28	31
Native hut tax .....	80	79	82	77	94

## PRINCIPAL EXPENDITURES.

Fiscal Year.	[ooo omitted.]		
	Railways.	Public Works.	Defence.
1892-----	489	84	70
1893-----	343	66	66
1894-----	295	63	66
1895-----	---	--	--
1896-----	391	67	107
1897-----	560	90	156

## AGGREGATES.

Fiscal Year.	Receipts.	Expenditures.	Public Debt.
1892-----	1,392	1,281	7,170
1893-----	1,070	1,100	7,170
1894-----	1,011	1,082	8,060
1895-----	1,170	1,148	----
1896-----	1,457	1,282	8,054
1897-----	2,213	1,625	8,019

## RHODESIA.

The territories governed by the British South African Company which come within the sphere of this paper are known as Southern and Northern Rhodesia. In the former a well developed and highly complex governmental organization now exists, while in the latter, where as yet there are few Europeans, the administrative activity of the company is more akin to that of the protectorates.<sup>1</sup>

The present governmental organization of Southern Rhodesia is regulated by the Southern Rhodesia Order in Council of 1898, which insures to the British government a more effective supervision of the administration than it had heretofore enjoyed. Prior to that time the company's administrator was practically supreme. He was subject in a general way to the British High Commissioner for South Africa, but the High Commissioner was in Cape Town and the administrator fifteen hundred

<sup>1</sup> British Central Africa, the expenses of whose government are borne by the South Africa Company, does not fall within the scope of this paper.

miles away. It was the unfortunate Jameson raid of 1896 which was the immediate cause of the English Government assuming larger responsibilities in the government of the colony.

According to the Order in Council of 1898 the Company, with the approval of a Secretary of State, names the administrators, one of whom is senior in rank, who are to govern the country in the name of Great Britain and in the interests of the Company. The Secretary of State appoints a Resident Commissioner in Rhodesia to watch the interests of the Crown. The administrator is assisted by an executive and a legislative council. In each of these the Resident Commissioner is an *ex officio* member entitled to speak but not vote. The executive council is practically the cabinet of the administrator, though he may act contrary to its advice. Should he do so, he must report his action with his reasons to the Company. In all matters the Company may reverse the action of the administrator.

A legislative council consisting of the administrators, the Resident Commissioner, five members appointed by the Company and four elected by registered votes, is also provided in the Order in Council of 1898. The administrator, by and with the consent of this body, may make ordinances for the peace, order and good government of Rhodesia subject to the approval of the High Commissioner. It is also consulted in matters of expenditure and revenue. The resident commissioner is the medium of communication with the High Commissioner and the latter's source of information respecting all matters submitted to his decision.

The Military Police force is under the control of the High Commissioner and the Commandant General is responsible to him only. He shall undertake no military

operations without the consent of the High Commissioner, or in cases of extreme urgency of the Resident Commissioner.

The Judicial organization is also governed by this Order. Judges shall be appointed by a Secretary of State on nomination of the Company and shall be paid by the Company. In like manner the approval of the British government is reserved for all appointments as Commissioners of Native Affairs.

The executive officers of the country, in addition to those already named, are Chief Secretary, Chief Accountant, Surveyor General, Attorney General, Commissioner of Public Works and Miners, Secretary for Native Affairs, and Post Master General. With respect to their various functions, we can refer to the scheme of government of Cape Colony which has furnished the model for the executive organization of this region.

The British South Africa Company, considered as a mercantile venture, was established for the purpose of developing the mineral resources of the regions lying north of the Bechuanaland protectorate and the South African Republic, of which the chief centres were Matabeleland and Mashonaland. Either directly by treaty with native chiefs, or by purchase, generally with obligations of the Company, from those who had preceded them, the Company acquired the exclusive right to all the minerals in the regions under their control. The Royal Charter of October 29th, 1889, which created the Company, granted it wide powers of administration for the purpose of building up and developing the country. How successful it has been in this effort may be seen from the financial statements which follow and from the fact that the Report of 1897-98 estimates the European population at 13,346. (Ad. Rep. 284.) The

activities of the Company since its inception have been so various that a distinct line between its commercial and administrative labors cannot easily be drawn. It may facilitate our study to consider the work of the Company as a whole.

*Mining.* The development of mining operations was the primary reason for the establishment of the Company. Its territories are rich in gold and though no single deposits comparable in richness to those of the Rand district of the Transvaal have as yet been discovered, the outlook for future operations is very bright. The gold output from November, 1891 to July 31st, 1898 was 6,470 oz. but in the ten months which followed from August 1, 1898 to June 1, 1899 a product of 48,214 oz. equal approximately to one million dollars was obtained. (Ad. Rep. 203.) Coal is also found in several districts, and while at several points experimental mining operations have been undertaken, no regular production of this mineral has been established. Mining operations are not undertaken directly by the South African Company. It grants concessions to various companies and takes a share of the stock of these companies as the price of these concessions. On March 31st, 1897, the nominal value of the shares thus held was £895,327. They had not up to this time been a source of revenue to the Company, except through the sale from time to time of a very small number of sales.

*Railroads.* The rapid development of the region has largely been due to the growth of the railway system which now connects the principal centres of population with the sea coast. Buluwayo, the centre of Matabeleland, connects by means of the Bechuanaland Railroad with the Cape Colony system, while Salisbury, the centre of Mashonaland, is connected with the east coast

at Beira in Portuguese territory by means of the Mashonaland and Beira Railways. A connection between Buluwayo and Umtali where the Beira Railway enters British territory is under way. The railroads, which have been established and supported by the British South Africa Company, had on the completion of the line to Salisbury (May 1, 1899) a total mileage of 1086 miles. (Dir. Rep. 96-97, p. 21.)

These railroads have been built by subsidiary companies with the participation and encouragement of the South Africa Company. The Bechuanaland railway was constructed by a company bearing this name and is now operated by the Cape Government Railways Department as a part of their system. The railway company has been guaranteed an annual subsidy of £20,000 by the Imperial Government for a space of ten years and of £10,000 for a like period by the South Africa Company. The latter has, moreover, guaranteed the interest on the 5 per cent. first mortgage debentures and debenture stock for twenty years from November 1st, 1895. As the annual amount required for interest is £70,000, and the net receipts for four months ending February 28, 1898 averaged £12,922 monthly, it would seem that the enterprise was on a paying basis. Of the £2,000,000 debentures issued, the South Africa Company owns £311,000. In the share capital of the railway company the South Africa Company holds a controlling interest. The funds for the construction of the road have been provided by the issue of interest bearing obligations.

A like plan has been pursued in connection with the Beira and Mashonaland roads, the first leading from the Portuguese port to Umtali in the Company's territory, and the latter from Umtali to Salisbury. In each the

South Africa Company owns the controlling interest in the share capital which in each case is very small, while the funds for construction have been obtained by the issue of interest bearing obligations.

*Telegraphs.* The telegraph system which has played an important part in the development of the country has been provided directly by the company. In their report for 1896 and 1897, the Directors say, "On the 30th of September, 1897, 1856 miles of line and 2,583 miles of wire had been erected. The total amount expended by the Company on telegraph construction up to March 31st, 1897, was £139,677 2s. 11d. and the net profit for the financial year ending on that date after deduction of cost of maintenance was £13,391 12s."

The Company is also interested in the African-Trans-Continental Telegraph Company, Limited, formed in 1893 with the support and authority of the Company to extend the telegraph system from Salisbury to Zomba in Nyassaland. The undertaking is designed as a feeder to the Company's lines and also as a connection between the company's operations north and south of the Zambesi.

*War Expenses.* The progress of settlement and development has not been entirely peaceful. In 1893 the Matabeles made one of their periodical raids upon the less warlike tribe of the Mashonas. It had been hoped that the presence of white settlers would have put an end to these warlike incursions. The Company's forces consisting of the police and volunteers, invaded the Matabele territory and after some severe engagements put the natives to flight. But the suppression of uprising was not accomplished before considerable damage had been done to the property of the settlers. The ag-

gregate cost of these military operations, including the payment of indemnities, amounted to £119,639.

*Government in South Africa.* To state in plain terms the receipts and expenditures of the Company considered as a government, is no simple matter. Some share doubtless of the general expenses of the London office belongs under this head, but as there is no rule for determining the proportion it must be omitted from the reckoning. So far as possible, the following account is devoted to receipts and expenditures in South Africa.

*Receipts.* The general character of the government revenues in Rhodesia can best be seen by the following statement for the year ending March 31, 1897.

RHODESIA REVENUE FOR THE YEAR ENDING 31ST MARCH, 1897.

Land fund .....	4,738	
Stand sales, <sup>1</sup> Umtali, 1897 .....	1,449	
Postal and revenue stamps and licenses .....	42,298	
Telegraph revenue .....	29,471	
Postal revenue .....	8,928	
Quit rent .....	3,881	
Transfer and other duty .....	18,696	
Mines revenue .....	1,226	
Hut tax .....	4,737	
Matabeleland stock farm .....	4,089	
Judicial fines .....	3,128	
Occupation fees, registration of natives and sundries .....	1,790	124,429
Less survey government lands .....		1,887
		<hr/> 122,542

It will be seen that in this statement taxation plays a small part, most of the revenue being derived from public property or public services. The growth of the revenue has been rapid and somewhat erratic. The revenue reported in the financial statements of the Company has been as follows :

<sup>1</sup> Stand sales are proceeds of sales of town lots.

## Fiscal Year Ending March 31.

1891 .....	3,961
1892 .....	15,812
1893 .....	34,153
1894 .....	44,489
1895 .....	118,883
1896 .....	339,091
1897 .....	122,542
1898 .....	263,000 <sup>1</sup>

The extraordinary increase of revenue in 1896 was due to the "Land Fund," which amounted to £211,676. The following year was one of depression and the receipts from this source fell off to less than £5,000. In the following year there was some revival of business and land sales increased again to £74,000. Apart from this item the budget of receipts shows considerable regularity.

*Expenditures.* In recent years the expenditures in South Africa are stated separately, and their general character can be seen from the following statement for the year ending March 31, 1897:

## RHODESIA EXPENDITURES.

*Administration expenses in respect of the following departments:*

Administrator, resident magistrate, law secretary, accountant, mine survey, civil and native commissioners, and North Rhodesia .....		98,303
Postal service .....		12,502
Telegraph department .....		16,079
Hospitals .....		8,650
Traveling expenses .....		161
Telegraph construction .....		19,498
Interest and discount .....		600
Donations .....		1,541
Expenses on goods .....		1,952
Maintenance—buildings and public works .....		4,028
Rinderpest charges .....		30,675
Agriculture .....		660
Removal Umtali township .....		47,962
Sundry expenses, including cables, telegrams and postage ..		9,218
		<hr/> 251,829

<sup>1</sup> Administrative Report, 107 (97-98).

Before 1893 the governmental expenditures in South Africa are not grouped, but figure in the general expenditures of the company. Since 1893 the growth of expenditure is shown as follows:

Fiscal Year Ending March 31st.	[ooo omitted.]	Administrative Expenses.	Total Expenses.
1893-----		26	85
1894-----		20	66
1895-----		41	142
1896-----		84	212
1897-----		98	252

The administrative expenses have been stated distinctly for comparison with the figures for 1891 and 1892, which were respectively £11,785 and £35,190.

We may close this brief statement with an extract from the Directors' Report of 1897, which discloses the attitude of the Company towards this part of its enterprise: "Separate accounts are being kept of the amounts received and expended by the company in the discharge of its duties as a government. These accounts comprise administrative revenue and expenditure and the cost incurred in the settlement of the country. The balance of expenditure under these headings, not met by revenue, will constitute a public debt whenever the inhabitants of Rhodesia are prepared to take over the full responsibility for its administration. The company will thus be reimbursed a considerable portion of its outlay, and be left in the possession of its mining and commercial interests."

#### BECHUANALAND.

It has already been noted that the Crown Province of British Bechuanaland has been ceded to the Cape Colony. The protectorate still remains as an independent organization. The financial affairs of the protectorate cannot be extricated from those of the Crown Colony in the earlier period. Some idea of the development of

the colony may be obtained from the following brief retrospect taken from the report of the administrator in the year 1894-95 :

“ When ten years ago Her Majesty's government was first established in British Bechuanaland, the country had only just been rescued from the horrors of war in the peculiarly cruel and unprincipled form commonly called filibustering. The plundered natives had barely recovered from a state of terror. The land was, to all intents and purposes, in a condition of barbarism. It is now as peaceable and, in the main, as well governed as any part of Her Majesty's dominions. Life and property are safer now throughout this immense territory than in many parts of London. The land has to a great extent been surveyed and settled. The natives are well provided for and are prosperous and happy. Evidences of progress in every respect might readily be adduced ; but it is needless to enlarge on the theme. The facts need no comment. In the first year of administration here the revenue was, roughly speaking, £7,000 ; it is now £70,000. The wealth still in the country is incalculable. Its future is bright indeed. At a moderate computation, Her Majesty's government has spent two millions sterling on it, and now hands it over as a free gift to the Cape Colony, with at the very least a quarter of a million's worth of vacant crown land, all the public buildings, and all its untold wealth in minerals. Apart from the potentialities of mineral development, the Cape Colony will at once derive from British Bechuanaland a surplus revenue exceeding £20,000 a year. To grudge so magnificent a donation might seem ungenerous, but it is no exaggeration to say that such a gift to a self-governing colony is an instance of Imperial munificence to which it would hardly be possible to find a parallel.”

From the period of 1891 to June 30, 1895, we find the following record of revenue in the colony and the protectorate :

Date Ending June 30.	Customs Revenue.	Hut Tax.	Total Revenue.
1891-----	£2,448	3,410	42,501
1892-----	12,579	1,975	50,936
1893-----	13,326	3,450	45,344
1894-----	16,392	3,941	55,370
1895-----	21,834	5,283	67,156

In the foregoing table we have given but two of the various items which constitute the receipts of the government. The remaining items, not specifically stated, are as a rule unimportant in amount, few of them equaling during the period under consideration the amounts received from the hut tax. In individual years, however, certain items of receipts exceed the hut tax. This is true in particular of the receipts for rents, presumably the rents of public lands. Sale of public lands is again an item of considerable importance in certain years. In the year 1890-91 this source of revenue returned £11,270, but two years later £187 was the total sum received from this source. Postal revenue is a considerable sum in the budget, but is offset by a larger expenditure for the maintenance of the postal and telegraph service. We may mention licenses, revenue, stamps, transfer duty, and auction duty as other sources of revenue, whose contribution to the total is, however, small.

The expenditure of the Colony and Protectorate during the same period is indicated in the following statement :

Ending June 30	Police.	Postal and Telegraph.	Total.
1891-----	£106,229	9,661	158,392
1892-----	95,391	15,621	154,929
1893-----	94,234	14,846	154,087
1894-----	178,773	12,593	237,928
1895-----	89,254	12,520	148,376

In the foregoing we have again given the principal items of expenditure. With respect to the divergence between receipts and expenditure, the report makes the following statement.

“From the figures furnished in the accompanying tables it will be seen that the bulk of the deficit in respect to which the grant in aid is annually made by the Imperial Government is on account of the excess of expenditure over revenue in the Protectorate. The total revenue of that country was about £7,600, while the expenditure may be apportioned at about £85,000. On the other hand, the deficit between revenue and expenditure in the Crown Colony, was, as nearly as may be at the present estimated, something under £3,000. Still it must be borne in mind that all the charges of a central administration which is also responsible for the collection of revenue and the administration of justice in the Protectorate are included in the Crown Colony account.”

These explanations serve to justify the somewhat glowing account of the progress of the Colony which we have already quoted. Subsequent figures derived from the “Statesman’s Year Book” confirm these statements. On the other hand, they show conspicuous progress in the Protectorate since it has been severed from the Crown Colony. In the fiscal year ending June 30, 1897, the revenue of the Protectorate was £47,511 of which £8,693 were derived from customs. In the same year the expenditure reached £88,448.

#### BASUTOLAND.

Basutoland was annexed to Cape Colony in August, 1871. The Cape Government, however, found difficulty in governing this country, not only on account of the

war-like character of the inhabitants, but because of the frequent border difficulties which arose between the natives and the Boers. In the year 1884, therefore, they appealed to the Imperial Government to take this region under its direct control, and in a disannexation act of 1884, handed it over to the Imperial Government, and assumed the obligation of contributing £20,000 annually to the expenses of government in that district. The amount of that contribution has since been reduced to £18,000. The region contains very few whites, and settlement by Europeans is prohibited. The expenses of government are, therefore, largely devoted to the maintenance of the official staff, which supervises the government of the native chiefs. During the year 1894-95, the principal source of revenue was the hut tax of 10s, its amount being £21,905. With the contribution of the Cape Colony of £18,000, these two items constitute the larger part of the total budget of receipts, namely, £44,627. Some slight income was derived from the post office, licenses, fines, and ferry tolls.

A detailed statement of the expenditure is not made in the annual report of the Colony. In the year ending June 30, 1895, it amounted to £43,064. Any view of the kind of expenditure must be gathered from the administrative report. From this it would appear that, as in the Protectorate of Bechuanaland, the main expenditure is for the maintenance of public order, the police system, and the jails.

ROLAND P. FALKNER.

## SOURCES OF INFORMATION FOR FINANCIAL AFFAIRS.

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*Cape Colony.*—Official handbook of the Cape and South Africa, edited by J. Noble. London, 1893.

Statistical Register for Cape Colony, 1898.

*Natal.*—Statesman's Year Book.

*Rhodesia.*—Reports of British South Africa Company printed for the information of shareholders.

Directors Report and Accounts. Annual 1891 to 1897.

Reports on the Administration of the Companies' Territories.  
Annual 1891 to 1898.

*Protectorates.*—Annual Reports, in Colonial Reports British Blue Books.

## CAPE COLONY.

ACTUAL REVENUE, EXCLUDING STORES, UNDER THE DIFFERENT HEADS OF RECEIPT, IN EACH OF THE LAST TEN FINANCIAL YEARS, IN THOUSANDS OF POUNDS.

Heads of Revenue.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
Customs (including harbor dues) -----	£1,146	£1,259	£1,343	£1,426	£1,540	£1,465	£1,923	£2,438	£1,803
Land sales -----	36	89	80	69	65	54	65	Dep. ac.	143
Land revenue (including hut tax to '89) --	195	135	136	134	129	140	132	130	81
Hut tax -----	49	50	52	58	60	62	79	79	8
Rent (exclusive of land) -----	12	1	3	2	2	2	2	7	122
Transfer dues -----	70	110	120	120	109	112	150	129	12
Auction dues -----	15	17	18	21	19	19	17	See Misc	20
Succession dues -----	10	13	12	17	18	16	18	17	17
Taxes, house duty -----	97	4							
Stamps -----	135	131	135	135	137	151	167	186	201
Stamped licenses -----	117	120	120	123	124	126	132	138	148
Bank notes duty -----	8	11	6	5	6	6	6	7	8
Postage -----	148	164	174	184	201	214	238	(c) 294	328
Excise duty -----	1	2						10	8
Fines, forfeitures and fees of court -----	11	18	19	18	21	20	18	23	24
Fees of office -----	6	1	1	1	3	2	3	3	3
Sales of government property -----	32	a. 37	a. 41	a. 54	a. 62	a. 45	a. 53	51	68
Reimbursements -----	81	72	76	72	86	93	105	92	103
Mines -----	37	27	25	23	24	21	30	31	27
Miscellaneous and special receipts -----	a. 27	b. 32	b. 31	b. 29	b. 37	b. 34	b. 41	b. 45	b. 38
Interest and premiums -----	28	18	31	24	81	47	48	85	148
Railway receipts -----	1,539	1,773	2,002	2,382	2,528	2,673	3,463	3,497	3,102
Telegraph receipts -----	85	70	67	72	68	84	115	130	151
Total -----	3,836	4,144	4,495	4,971	5,321	5,390	6,804	7,390	6,536

a. Including guano sales. b. Including wood license and guano permits, etc., previously included under "Land Revenue."  
 c. Including certain items (£5,486 in '96-97), previously included under Reimbursements and Miscellaneous, etc.  
 Transfer duty reduced from 4 to 2 per cent. by Act 10 of 1896. Auction duty abolished by Act 11 of 1896. Receipts '96-97, £5,239, included under Miscellaneous.

CAPE COLONY.  
VOTES OF EXPENDITURE UNDER CLASSIFIED HEADS CHARGEABLE AGAINST ORDINARY REVENUE, IN EACH  
OF THE LAST TEN FINANCIAL YEARS, IN THOUSANDS OF POUNDS.

Head of Expenditure.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
Legislative	23	26	25	27	24	28	26	30	40	27
Civil establishment (including collection of revenue)	118	127	127	132	132	136	140	150	166	176
Medical (including hospitals and paupers)	78	96	110	109	129	137	145	172	168	177
Science and education (other than of natives)	99	123	141	126	141	167	173	188	213	232
Public worship	8	8	7	7	7	7	7	6	6	6
Judicial (including administration of justice)	100	106	112	114	121	126	135	144	158	171
Police and goals	195	218	234	239	267	291	318	350	432	535
Convicts	49	54	58	48	42	41	48	49	54	72
Crown lands, agriculture, forests, irrigation and harbors	130	163	153	153	174	219	182	270	625	323
Railways (working and maintenance)	840	1,018	1,118	1,220	1,474	1,565	1,552	1,780	1,941	2,059
Telegraphs, construction	1	12	13	13	76	23	9	16	65	39
Telegraphs, maintenance	92	93	99	91	98	99	104	110	137	264
Post office and mails	161	171	184	191	194	216	243	249	273	291
Buildings, roads and bridges	83	161	192	121	122	150	206	179	340	372
Native affairs (including education of natives)	125	140	144	135	140	144	191	209	250	310
Defence	143	143	152	151	149	161	157	190	376	485
Immigration	1	1	1	1	1	1	1	1	1	1
Pensions	46	48	48	51	52	55	55	74	85	89
Refund of revenue	38	34	33	31	35	39	36	44	52	50
Miscellaneous	37	38	56	61	54	55	70	72	84	121
Public debt	1,049	1,063	1,222	1,166	1,213	1,555	1,246	1,245	1,255	1,248
Share of customs duties paid to other governments	---	35	89	97	93	94	108	123	132	134
Total	3,415	3,879	4,305	4,316	4,668	5,297	5,152	5,651	6,852	7,082

## ENGLISH COLONIAL FISCAL SYSTEMS IN THE FAR EAST.

In the study of the government of the British dependencies, one finds a most interesting group in the Far East. In the Malay Archipelago, we find British influence dominant in the north and west of Borneo, where the British North Borneo Co. has acquired the government of a large tract in British North Borneo and Labuan, and in the little kingdom of Sarawak, where the successors of Rajah Brooke, though technically independent in internal affairs, keep that little kingdom as an English protectorate under the influence of English ideas. The still less advanced British New Guinea, acquired at the instance of the Australasian colonies, with Fiji, lying still farther east, illustrate each a different method of dealing with dependencies.

Of far more importance is Hong Kong with its adjoining piece of territory, the promontory of Kowloon, lying opposite the most important foreign trading post in China. For political rather than financial reasons, the new acquisition of Wei-hai-wei on the Gulf of Pechili, opposite Port Arthur which Russia has lately acquired, is also noteworthy.

At a much earlier period, the Straits Settlements, which practically hold a commanding position on the highway from Europe to the Far East, were seen to be of great importance, and today, with the Federated Malay States under their direction, furnish us perhaps the best example of British success in dealing with the problem of partly civilized Malay peoples; while Ceylon, also an early colony, in different surroundings, with a different type of natives, furnishes an example of an

entirely different kind which the English government has administered from the fiscal standpoint, in a materially different way.

#### THE STRAITS SETTLEMENTS.

These settlements derive their name from the Straits of Malacca, separating the Malay peninsula from the island of Sumatra. They consist especially of the island of Penang, with the adjoining strip of territory known as the Province Wellesley, lying opposite; the islands and mainland of the Dindings, connected with Penang in its local government; Malacca, some two hundred and forty miles south-east of Penang on the Straits; and Singapore, a small island at the southern extremity of the Peninsula on the main entrance to the China Sea. The total area of these Settlements, with some small islands attached thereto for administrative purposes, is only some 1542 square miles; but their commanding position and their large and rapidly growing trade, together with the control that they at present exert over the adjoining protected Malay states, render them of great significance. The population in 1891 was as follows:

	Singapore		Penang		Malacca		Totals	
	Males	F'males	Males	F'males	Males	F'males	Males	F'males
Europeans and Americans . . .	4,312	942	893	308	85	49	5,290	1,299
Eurasians . . . .	1,764	1,825	824	888	821	935	3,409	3,648
Asiatics . . . . .	135,254	40,457	151,167	81,538	49,431	40,849	335,852	162,844
Totals (1891) . . .	141,330	43,224	152,884	82,734	50,337	41,833	344,551	167,791

In 1891 there were in the Settlements 213,073 Malays, 227,989 Chinese, and 53,927 natives of India.

*History.*—The first settlement by Europeans was at Malacca in 1511 by the Portuguese. These were succeeded by the Dutch in 1641, who held the post until

1795, when the English took possession. After a recession to the Dutch in 1818, Malacca, by a treaty with Holland in 1824, came finally into the possession of the English East India Co., the English agreeing at the time not to interfere with the Dutch possessions remaining. Malacca had been known as one of the great stations for eastern trade even before the Portuguese took possession ; but since Penang and Singapore have been developed by the English, it has fallen into an inferior position.

The first British possession on the Straits of Malacca was Penang, which was ceded to the English government by the Raja of Kedah in 1785 for an annual sum of \$6,000 to be paid as long as the British occupy the island. In 1798, in order that the adjoining territory might be cleared of pirates, the strip of territory called Province Wellesley, some forty-five miles in length and ten or twelve miles in width, was acquired. The Dindings' territory, including the island of Pangkor and the Sembilan islands, was ceded to England in 1826 with the same purpose in view ; and in 1874, a strip of territory on the main land, lying opposite, was added to this.

Singapore was taken possession of for England by Sir Stamford Raffles in 1819, and in 1826, it united with Penang and Malacca under one government. Penang remained the capital until 1836, when Singapore became the seat of government.

*Government.*—At present the government consists of a governor who acts with an executive and a legislative council. The executive council consists of the general officer commanding the troops, the colonial secretary, the resident councillor of Penang, the resident councillor of Malacca, the attorney general, the colonial treasurer,

the auditor general, the colonial engineer and the governor. The legislative council consists of the above members of the executive council, together with seven unofficial members, two of whom are nominated by the chambers of commerce of Singapore and Penang. While the government thus makes its own ordinances and is allowed very great latitude in settling its own affairs, it is noticeable that through the appointive executive officers, who are in the majority, the control is absolutely in the hands of the home government whenever it may wish to exert its power. Furthermore, the affairs of the Straits Settlements may be regulated by an Order in Council of the home government at any time, should that be considered necessary. The Governor of the Straits Settlements is also High Commissioner for the Federated Malay States, and High Commissioner for the Territories of the British North Borneo Company, Brunei and Sarawak.

*Finances.*—The colony is composed of small settlements which, while in some instances quite productive, are still not large enough to be of special significance themselves. Its prosperity is due rather to the fact of its being an exceedingly important port for transshipment of goods, its profits being mainly made from importing and exporting goods produced elsewhere. More than fifty lines of steamers stop at Singapore. Regular communication is had with Europe, China and Japan, some of the lines sending steamers weekly. The local trade is also large and increasing.

Owing to these facts, it has been considered wise for the government to levy no import or export duties, but to secure its revenues in other ways. Even tonnage dues are not levied for general purposes, "the only tax to which shipping is liable consisting of a very moderate

one of one anna per ton register in support of the abundant lighthouses on the coast."

*Revenues.*—The chief sources of revenue are :

<sup>1</sup> A stamp tax which provides for stamps on legal papers, bills of exchange, checks, promissory notes, etc.

<sup>2</sup> A land revenue which provides that the annual rate of assessment shall not exceed  $\frac{1}{10}$  of the value of the produce.

<sup>3</sup> Licenses : on opium, the most important and profitable of all ; on liquors for distillers, \$50 ;<sup>4</sup> public houses of the first class, \$240 per annum ; second class, \$120 ; third class, \$96 ; retail liquor shops, \$72 per annum ; and a farm shop not to exceed \$24.

<sup>5</sup> Petroleum,—a license for twelve months for quantity not exceeding fifty cases, \$6 ; exceeding fifty, but not exceeding 5,000, \$24 ; for every additional 5,000 cases, \$24.

A farm shop license fee for opium not exceeding \$25 a year.

There are also license fees for burial and burning grounds of from \$25 to \$100, which may be changed by the governor<sup>6</sup> ; upon brokers' shops at a fee prescribed by the governor.<sup>7</sup>

A license fee on carriages is levied, in addition to the municipal tax mentioned later.

*Expenditure.*—The chief sources of expenditure are : for the establishment, including salaries of all officials, pensions and buildings ; for railroads, streets, bridges

<sup>1</sup> Ordinances, 1885, No. 10, amended 1887, No. 17.

<sup>2</sup> Ordinances, 1886, No. 9.

<sup>3</sup> Ordinances, 1894, No. 11, amended 1896, No. 10.

<sup>4</sup> The Mexican dollar is the coin regularly quoted.

<sup>5</sup> Ordinances, 1896, No. 111.

<sup>6</sup> Ordinances, 1887, No. 11, amended 1896, No. 19.

<sup>7</sup> Ordinances, 1898, No. 4.

and canals; for education; for police; for military and naval expenditures.

In 1896<sup>1</sup> an ordinance was passed appropriating seventeen and a half per cent. of the colonial revenue as a contribution for the defence of the colony, this to include "gross receipts of revenue from all sources, but not proceeds of land sales and premia on leases or statutory land grants. The said percentages shall be deemed to be a fixed contribution payable by the colony in full return for the annual cost of the imperial garrison, including cost of maintenance, of military works and buildings, but not capital expended for military lands and buildings, nor charge for lodgings in lieu of barracks."

The new harbor of Singapore, which has been fully armed and fortified, cost for the fortifications £100,000, which expense was defrayed by the colony. The forts have been armed and equipped by the mother country.

In the year 1876, as a consequence of the rebellion of the Malay States a considerable debt was incurred which in the year 1877 amounted to £120,455. That has, however, been gradually paid off, the final payment being made in 1890, leaving the colony out of debt at present, except for an occasional temporary loan.

On the other hand, the Straits Settlements have acted in this regard as a mother country to the Federated Malay States, having loaned to them quite large sums, especially for the building and equipment of railroads, this loan forming at the present time the main item of the government's assets.

The adjoining tables give the revenue, expenditures, the shipping entered and cleared, the imports and exports for the years 1890 to 1897, together with the chief

<sup>1</sup> Ordinances of 1896, IV.

items of revenue and expenditure for 1897, the estimates for 1898-1899, and the assets and liabilities for 1894-1895.

Year.	Finances.		Shipping Entered and Cleared Exclusive of Native Craft.	
	Revenue.	Expenditure.	British Tonnage.	Total Tonnage.
1890-----	\$4,269	\$3,758	7,033	9,679
1891-----	3,827	4,599	6,675	9,385
1892-----	3,653	4,266	6,146	9,070
1893-----	3,706	3,915	7,427	10,614
1894-----	3,905	3,715	7,711	11,126
1895-----	4,048	3,782	8,097	11,066
1896-----	4,266	3,957	9,016	12,508
1897-----	4,320	4,430	8,326	12,207
1898-----	5,086	4,965 (estimated)		
1899-----	4,919	5,372 (estimated)		

## REVENUES AND EXPENDITURES, 1897.

Stamps-----	\$ 304	Public works-----	\$ 494
Licenses-----	2,597	Education-----	92
Land revenue-----	260	Police-----	89
Port and harbor dues-----	168	Marine Dept.-----	64
Postage-----	212	Transport-----	12
Salaries-----	1,553	Military expense-----	1,027

## ASSETS AND LIABILITIES.

	1894.	1895.
Assets, Jan. 1-----	\$2,370	\$2,605
(a) Cash on current accts., week locals-----	640	822
(b) Investments, gold <sup>1</sup> -----	137	137
(c) Invested in Government of India loan-----	---	---
(d) Loans of Native States-----	1,088	1,083
(e) Loans to municipalities-----	22	21
(f) Other investments-----	357	391
(g) Miscellaneous advances, etc-----	36	19
(h) Singapore defences-----	---	---
(i) Revenue in arrears-----	75	115
(j) Cash on current account with crownage--	16	17
Liabilities, Jan. 1.	1894.	1885.
Deposits, etc-----	\$676	\$614
Balance in favor of crown agents-----	---	---
Temporary loan-----	141	141
Suspense account-----	---	59
Expenditures in arrears-----	25	32
Debenture loan-----	---	---
Total-----	835	846

<sup>1</sup> Excluding amount from loans on public works.

All the items for 1894 and 1895 are not given here because not in form for comparison. But the total is correct, though not sum of items here cited.

Year.	Imports.		Exports.	
	From U. K.	Total.	To U. K.	Total.
1890-----	23,552	147,297	24,785	127,924
1891-----	21,502	135,886	24,505	125,806
1892-----	22,296	141,428	25,085	134,638
1893-----	22,127	160,149	30,294	144,757
1894-----	27,852	209,354	31,759	173,900
1895-----	21,600	198,218	30,062	172,975
1896-----	21,681	201,344	26,012	173,721
1897-----	28,476	220,000	25,926	191,357

*Local Government.*—There are municipal Boards at Singapore, Penang and Malacca, the members of which are partly elected by the rate payers and partly nominated by the government. The municipal revenues are derived mainly from :

A rate on the assessed annual value of all houses, lands, buildings and tenements. Twelve per cent. is levied if the property is situated within the water limit ; 9 per cent. if outside.

A tax on carriages and other vehicles and draft animals varying from \$12 on a four wheeled carriage on springs, to \$4 for a cart of any kind drawn by a man, while \$2 is paid on a horse or mule.

A dog tax of \$1.50 per annum.

A business license for many trades, especially those dangerous or likely to be offensive, such as fish curing, making or storing matches or fireworks, boiling offal, blood or oils, petroleum depots, etc.

Fees on building plans, etc.

Water rates.

The accounts of the cities for the year 1897 were as follows :

	<i>Singapore.</i>	<i>Penang.</i>	<i>Malacca.</i>
Revenue, 1897 .....	\$870,696	\$349,951	\$28,779
Expenditure, 1897 .....	943,727	393,786	27,089
Cash Balances at close of year.....	196,866	25,786	6,710
Loans outstanding at close of year	1,143,235*	350,000	20,000

\* Net amount outstanding.

## THE FEDERATED MALAY STATES.

*History.*—Previous to the year 1874 the native States of the Malay Peninsula while having some previous relations of a semi-commercial, semi-political character with the Straits Settlements had nevertheless been independent. The prevailing disquiet, amounting in many instances to anarchy in several of the States, disturbed the Straits Settlements much and was a great hindrance to the prosperity of the country. In consequence Sir Andrew Clark strove, by the Pangkor Treaty of the 20th of January, 1874, to bring about a better relation, securing the right then to advise the ruler of Perak, and within a year those of the other two leading states, Selangor, and Sungei Ujong, respecting the collection of revenues and their administration.

In 1887, Sir F. Weld made an agreement with the Rajah of Pahang in accordance with which the control of his foreign relations was surrendered to the British Government, and in 1888 a further agreement brought that state under British protection on the same terms as the individual states above mentioned on the west coast of the Peninsula.

In 1895 the establishment of the federated states, known as Negri Sembilan (the nine states), a union of Sungei Ujong with other small states, gave the impulse for still closer relations among these different Malay States and the Straits Settlements.

Later, to take effect July 1, 1896, a federation of them all was formed (Perak, Selangor, Pahang and the Negri Sembilan) with the name of the Federated Malay States, to be governed under the advice of a British officer styled the Resident-General. Their estimated population is as follows :—

		1891.	1897.
Perak, (in 1879)-----	81,084	214,254	280,093
Selangor (in 1884)-----	46,568	81,592	160,000
Negri Sembilan-----	-----	70,730	85,000
Pahang-----	-----	-----	70,000
Total -----			595,093

*Government.*—At the present time the Residents of these four states, assisted by a corps of European officers, aid the native rulers by advice, and in general carry out the chief executive functions. In each state the supreme authority is vested in a State Council which consists of the highest native authorities and the principal British officers. The British Residents are appointed by the British Secretary of State for the Colonies, and are subordinate to the Resident General of the Federated Malay States and to the High Commissioner, an office held by the Governor of the Straits Settlements.

The Resident General supervises the work of the residents in each state and arranges mutual communication between the state governments and the High Commissioner. Subject to this authority the preceding system of administration remains, being shaped largely by the Residents. The states attempt to furnish each other assistance in men and money, the wealthier states assisting the others in need of help. Perak, for example, has been able to loan money to Selangor and to Pahang for the building and equipment of the new railways of those states.

These federated states have also the duty to raise and equip a force of native troops for service in the states, and in case Great Britain should be at war with any foreign power, they are expected to supply troops for the defense of the colony of the Straits Settlements.

The treaty of 1895 requires the rulers of the Federated States, together with the English Residents,

to meet periodically for discussion of affairs of mutual interest. Such meetings were held in 1897 and 1898 and in all respects seemed to be successful.

The spirit of the British Government in dealing with those states is shown, perhaps, most effectively by the relative salaries paid to the local native rulers, the Sultans, as compared with those paid to the English Officers who actually control the government.

The Governor of the Straits Settlements, who is also High Commissioner for these Federated Malay States, receives \$28,800 with an entertainment allowance of \$5,000. The Resident-General acting for all of the Federated Malay States receives \$12,000. On the other hand, the Sultan of Perak, one of these states, receives a salary of \$36,000, the British Resident in his state receiving only \$9,600. Similar differences are found in the other states, the Sultan of Selangor receiving \$18,000 while the British Resident receives only \$8,400.

*Fiscal System.*—The fiscal affairs of the colonies are determined quite largely by the nature of the population, more than half of whom are Chinese who are both the chief consumers of opium and the most efficient laborers both in agriculture and in mining.

The leading industry in these states is mining of tin, although at the present time agriculture is developing very rapidly, the chief products being rice, sugar, coffee and tea, the production of all of which is rapidly increasing.

Many improvements to further the internal development of the states have been made, especially in the building of railways. A principle which has been followed by the government is to manage these railways not primarily for profit, but to open up the states for

the sake of developing their industries, and for this purpose the states have not hesitated to lay upon themselves a heavy burden of debt.

*Revenue.*—The chief source of revenue in all the Federated Malay States comes from an export duty on tin. The total amount from this source in 1898 was \$3,210,699. Owing to the depreciation in the price of tin some two or three years ago, a new sliding scale was adopted which varies with the price, the average export duty being from ten to fifteen per cent of the value.

The revenue next in importance comes from taxes on land. The regulations relating to the land held by the natives under Malay tenure were made in 1890, each native to pay an annual quit rent to the Government in consideration of such holding. The chief rates in Pahang, which are typical, are as follows: On garden land, forty cents per acre; on swamp padi, forty cents per acre; on dry padi, twenty cents; on plough land, twenty cents; building lots in towns, twenty-four hundred square feet or under, pay per annum \$2; village lots \$1. For areas of forest land exceeding 100 acres, an assessment of \$3 is paid, with an annual quit rent of three cents per acre; for abandoned land or land with secondary growth of timber, a premium of \$1, or sometimes no premium, with a quit rent of from ten to twenty cents per acre. The amount received from lands in 1898 was \$636,927.

Licenses are also required for mining in all the different states, as well as for cutting of timber, or the capture or killing of large game,—elephants, rhinoceroses, etc., the fees to be notified by the English Resident.

Under an enactment of the 29th of November, 1897, the residents were empowered to constitute farms of the exclusive right of collecting duty payable on opium

imported, of spirituous liquors imported (import duties are collected only on opium and spirits), of issuing licenses for selling opium and spirituous liquors, keeping public gambling houses, licensing gaming, carrying on the trade of pawnbroker, collecting tithes and other duties, slaughtering cattle, etc. In the same year a new stamp duty providing stamps for various legal instruments, conveyances, checks, bills of exchange, etc., was passed. As in the Straits Settlements, there is also a license required for the sale of petroleum, the annual amount for twelve months for any amount not exceeding fifty cases being \$6, for that exceeding fifty cases and not exceeding five thousand cases \$24, and for every additional five thousand cases \$24. Further business licenses of a minor nature are also found in the several states.

#### PERAK.

In Perak, which is considerably further advanced in wealth than Pahang, in 1898 the revenues with the principal items, were as follows :

From customs,.....	\$2,358,713
From licenses, similar to those above,.....	911,288
From railways,.....	566,817
From land,.....	276,832
And from forests, which during that year was made a separate item from income on land,...	96,022

During that year the amount of the export duty on tin, owing to the increased price of the metal and the operation of the sliding scale, amounted to \$1,601,304.

The opium import duty, which had been raised from \$8 to \$9 early in the year and to \$12 per ball on the first of July, yielded \$730,840, together with \$1,805 from chests.

The railways in Perak show on the whole a profitable administration. The receipts and expenditures from

the two divisions, Larut and the Kinta Valley, are as follows :

	<i>Miles.</i>	<i>Receipts.</i>	<i>Expenditures.</i>
Larut .....	17½	\$ 66,151	\$ 54,419
Kinta Valley, ----	79	501,777	280,419
	<u>96½</u>	<u>\$567,928</u>	<u>\$334,838</u>

The total account at the close of that year was as follows :

Larut, .....	\$ 777,201 72
Kinta Valley, .....	4,291,674 69
Total, .....	<u>\$5,068,876 41</u>

The net profit of the year's working was :

On the Larut branch 1.50 per cent. of the capital account :

On the Kinta Valley branch, 5.16 per cent. of the capital account.

The total train mileage and profit per train mile was as follows :

	<i>Mileage.</i>	<i>Profit per train mile.</i>
Larut, .....	41,162	\$ 28
Kinta Valley, .....	217,151	1 02

The working expenses were as follows :

Larut Division, .....	82.62% of the gross receipts.
Kinta Valley, .....	55.88% of the gross receipts.

The contrast in accounts of the two lines show the policy of the colony in developing lines which as yet do not yield material profit.

*Expenditures.*—The expenditures besides the cost of administration with salaries of native as well as British rulers are largely on public works.

During the year 1898 there was expended on railway construction, in Perak \$2,196,174.36.

On public works during 1898 the expenditures were \$846,119, the amount for buildings being some \$230,000,

the rest being mostly for the building of roads, streets and bridges. A noteworthy fact is that these states are all of them expending much money for the completion of good metal cart-roads as well as bridle roads and paths.

The adjoining tables show the total expenditures of all the Federated Malay States from 1888 to 1898 inclusive, together with the chief sources of revenue, from 1894 to 1897 and the debts.

REVENUE.<sup>1</sup>

[ooo omitted.]

Year.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$2,016	\$1,418	\$223	---	\$3,658
1889-----	2,777	1,828	378	\$30	5,013
1890-----	2,504	1,889	385	62	4,840
1891-----	2,325	1,826	344	77	4,572
1892-----	2,690	2,135	472	50	5,347
1893-----	3,034	2,765	530	84	6,413
1894-----	3,542	3,334	535	100	7,512
1895-----	4,034	3,805	535	107	8,481
1896-----	3,961	3,757	555	161	8,435
1897-----	3,838	3,688	572	198	8,297
1898-----	4,576	3,862	701	225	9,364

## EXPENDITURE.

[ooo omitted.]

Date.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$1,709	\$1,055	\$249	---	\$3,014
1889-----	2,090	1,394	464	\$142	4,091
1890-----	2,556	1,997	387	298	5,237
1891-----	3,146	1,724	446	238	5,555
1892-----	3,095	2,044	473	271	5,883
1893-----	3,401	2,605	509	282	6,798
1894-----	3,587	2,817	509	249	7,162
1895-----	3,757	3,083	510	232	7,583
1896-----	3,989	3,573	573	462	8,598
1897-----	4,178	3,568	607	442	8,795
1898-----	5,561	4,446	731	373	11,110

<sup>1</sup>Tables all taken from the official "Reports on the Federated Malay States for 1897."

## DUTY ON TIN.

[ooo omitted.]					
Date.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$ 851	\$ 527	\$ 58	--	\$1,437
1889-----	937	751	60	\$ 2	1,750
1890-----	861	673	71	5	1,609
1891-----	813	673	79	9	1,573
1892-----	1,125	828	135	8	2,097
1893-----	1,334	1,082	176	10	2,602
1894-----	1,649	1,402	169	18	3,238
1895-----	1,670	1,520	165	24	3,380
1896-----	1,541	1,377	181	27	3,127
1897-----	1,347	1,158	186	26	2,716
1898-----	1,601	1,347	228	34	3,211

## LAND REVENUE.

[ooo omitted.]					
Date.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$ 86	\$ 50	\$ 53	--	\$189
1889-----	82	43	54	\$11	191
1890-----	75	33	38	20	166
1891-----	93	42	43	22	200
1892-----	153	82	52	14	301
1893-----	150	104	69	24	348
1894-----	236	123	70	28	457
1895-----	226	142	76	24	468
1896-----	281	134	66	30	511
1897-----	338	171	77	50	636
1898-----	277 <sup>1</sup>	193	103	63	637

## POSTAL AND TELEGRAPH AND CONSOLIDATED RAILWAY RECEIPTS.

[ooo omitted.]		
Date.	Post and Telegraph.	Railways.
1888-----	\$ 18	\$ 368
1889-----	26	359
1890-----	38	406
1891-----	44	415
1892-----	54	537
1893-----	71	724
1894-----	90	987
1895-----	111	1,294
1896-----	140	1,345
1897-----	141	1,294
1898-----	174	1,395

<sup>1</sup> Forest revenue \$96,022 is included in previous years, but not in 1898.

## LABUAN, BRITISH NORTH BORNEO, SARAWAK.

These three colonies located in the north and west of Borneo, and a little island adjoining, are under the general supervision of the Governor of the Straït Settlements as High Commissioner, though each has its own local government. They are of, relatively speaking, so little financial importance that it will suffice to mention the chief sources of revenue and expenditure, and to give brief statistical tables of the totals.

## LABUAN.

In Labuan the government is administered by a governor and a residential staff. Since 1889 the Governor of British North Borneo holds this position *ex-officio*. In 1871 the military garrison maintained by the imperial government was withdrawn and an armed police force substituted by the colony.

The chief sources of revenue are the import duties, licenses on tobacco, spirits, opium, and the fish market stalls. The tobacco and spirits licenses are practically monopolies, only one being granted. Next in importance are the land revenues including transfer and registration dues. The chief expenditures are for the cost of the establishment, although the government is also expending considerable money in public works, buildings, roads, streets and bridges. Since 1869 the colony has supported itself. Before that date, the expenditure of the colony was partly defrayed by the imperial Grant-in-Aid. The following table gives the gross amount of revenue and expenditure from 1890 to '96, together with the public debt, and shipping.

[ooo omitted.]

Year.	Finance.		Shipping Entered and Cleared.		Public Debt.
	Revenue.	Expenditure.	British Tonnage.	Total Tonnage.	
1890-----	\$23	\$26	102	115	£ 200
1891-----	42	30	114	124	200
1892-----	40	33	107	115	200
1893-----	40	36	94	109	400
1894-----	37	45	93	114	343
1895-----	48	70	133	141	342
1896-----	55	54	118	129	342
1897-----	56	49	263	325	-----

## BRITISH NORTH BORNEO.

This territory was ceded by the Sultans of Brunei and Sulu in 1877-78 to Sir Alfred Dent, and was transferred in 1882 to the British North Borneo Co. It was placed under the protection of England in 1888 with some further cessions. The territories are administered by the Court of Directors in London appointed under the charter and a Governor and residents appointed by them, the appointment of the Governor being subject to the approval of the Secretary of State. Since 1889, he serves also as Governor of Labuan.

The revenue is derived from import duties, especially one on rice, a stamp duty, royalties on various exports, exemption taxes for natives, licenses for the sale of opium, spirits and tobacco and from the sales and rent of lands. The following table gives the total revenues, receipts from land sales and expenditures from 1890-'97.

[ooo omitted.]

	Revenue Proper.	Land Sales.	Expenditures.
1890-----	\$336	\$240	\$347
1891-----	376	7	410
1892-----	318	67	349
1893-----	249	0.8	254
1894-----	279	0.5	294
1895-----	301	1	230
1896-----	352	4	260
1897-----	380	1	292

## SARAWAK.

Sarawak was ceded by the Sultan of Brunei in the year 1842 to Sir James Brooke, who became the well known Rajah Brooke of Sarawak. In '61, '82, '85 and '90 still further cessions were secured. In 1888 an agreement was entered into with the Rajah, under which this independent state was placed under British protection. The English government does not interfere with the internal administration, but determines any questions that arise regarding the succession. It controls foreign relations and has the right to establish consular officers. None of the territory can be alienated without the consent of England.

The principal sources of revenue are the opium, gambling, arrack and pawn farms, together with some harbor and light dues and some personal poll taxes. The revenues and expenditures from '92 to '97 are as follows :

[*000 omitted.*]

	Revenue.	Expenditure.
1892-----	\$462	\$425
1893-----	457	478
1894-----	458	487
1895-----	454	463
1896-----	494	444
1897-----	565	504

## HONG KONG.

The system of government of Hong Kong, including its financial system and the sources of income and expenditure, are so similar to those of the Straits settlements, owing to the fact that the colony is similarly situated and has the same inducements for encouraging trade that it does not need special treatment, as regards sources of revenue and expenditures. The appended

table gives amounts, with population, shipping and debt, so that comparisons can be readily made :

Year.	[ooo omitted.]		Shipping Cleared and Entered.	
	Finance.		British Tonnage.	Total Tonnage.
	Revenue.	Expenditure.		
1890-----	\$1,995	\$1,915	6,995	13,676
1891-----	2,025	2,449	7,191	14,006
1892-----	2,237	2,343	7,576	14,153
1893-----	2,078	1,921	7,732	14,349
1894-----	2,287 <sup>1</sup>	2,299	7,778	13,951
1895-----	2,486	2,972	8,590	15,632
1896-----	2,610	2,475	8,758	16,516
1897-----	2,687	2,641	8,269	15,938

There is a public debt of £341,800.

POPULATION.				
	European and American.	Chinese.	Others.	Total.
1891-----	8,545	210,955	1,901	221,401
1898-----	----	-----	----	248,710 (estimated)

#### FIJI.

The Straits settlements and the Federated Malay States are chiefly noteworthy from a fiscal point of view, from the fact that, lying on the main highway of commerce between the Indian Ocean and the Eastern Seas, they have found it advisable to limit the import duties entirely to those on opium and spirits, where the idea of police regulation is joined with that of revenue.

A typical colony of a somewhat different nature whose inhabitants are nevertheless comparable with those of the Federated Malay States is Fiji. This island, lying as it does separate from any of the other colonies and not so situated that it forms a convenient port for the transshipment of goods, has its revenues arranged on an entirely different basis.

The total area of Fiji is 7,435 square miles,—about

<sup>1</sup> Expenditure exclusive of \$236,810 for public works extraordinary, chargeable to the loan raised in 1893.

equal to Wales. Its population belonging to the darker of the two Polynesian families, although its blood has received considerable admixture with the other, is estimated, in 1897, at 121,798.

*History.*—These islands were discovered in 1643. Missionaries settled there in 1835. In 1859 the most powerful chief offered the sovereignty of the islands to Great Britain. Though this was declined for the time, in June, 1871, some Englishmen set up a government with the principal chief as king, a constitution was agreed upon and a parliament elected. Later, in 1873 and 1874, negotiations which had been entered upon were finally completed and the sovereignty was ceded to England in 1874.

*Government.*—The government consists of a governor appointed by the home government, an executive council consisting of the governor and four official members, and a legislative council consisting of the governor, six official and six non-official nominated members. To the natives a large share of self-government has been conceded. Their system of village and district councils has been recognized and improved, and supplemented by an annual meeting of the high chiefs and representatives from each province, presided over by the governor. The regulations recommended by these bodies have, however, to receive the sanction of the legislative council before acquiring the force of law. Local municipal governments have also been established in different places, these boards being regulated by the central government. The governing body in each town is elected by the rate payers.

*Revenues.*—A considerable portion of the revenue, "varying from £15,000 to £19,000," is raised from taxation of the natives as follows :

The colony is divided into fourteen provinces, each under the control of a chief native officer. Each province is sub-divided into districts with a sub-head. Once every year the provinces are severally assessed by the legislative council for the fixed amount of tax to be delivered in the form of produce, consisting of sugar-cane, copra, tobacco, yangona, cotton, maize, bêche-de-mer, and occasionally green fruit and yams. These products are either disposed of under permanent contracts at a fixed price per ton or are sold by public auction. The provincial council, consisting of these native officers, distribute the provincial taxes among the different districts, and there is further sub-division among the different villages. The amount and kind of produce paid by each province and district is recorded, and if the total value in any case exceeds the amount of the assessment, the surplus is returned in the form of money.

A large proportion of the revenue in Fiji, however, is derived from import duties. The new tariff coming into force on the 10th of March, 1898, increased the duty on some articles, and, undoubtedly, increased also largely the total amount of revenue from this source. Duties are levied on probably a hundred different articles, but the duties are in most cases low. The highest rate *ad valorem* is 20 per cent., levied on jewelry; fifteen per cent. is levied on perfumed oils and soaps and one or two other luxuries of a similar nature. Five per cent., ten per cent., and twelve and a half per cent., are the rates most generally levied on ordinary articles.

Specific duties are levied on iron products of different kinds, on various kinds of chemicals, including oils, and on some few articles of food.

*Local Revenues.*—Rates for local purposes are col-

lected on land and house property, which rates are limited to one shilling in the pound on the assessed value of ratable property, but special rates not exceeding one shilling in the pound are further provided for.

Likewise grants in aid, not exceeding one-fifth of the sum received by general tax may be paid from the general revenue to any town board. These grants in aid are especially provided for educational purposes.

*Expenditures.*—The chief items of expenditure in 1898 were the charges on account of the public debt and the different departments of the government, the legal and judiciary department requiring the largest sum. This was followed by the emigrant and treasury departments, then by the public works department and other salary accounts.

*Debts.*—In the years 1875 to 1878 the mother country advanced as much as £105,000 to the colony, all in aid of local revenue. A small part of this was repaid, some of it directly, some indirectly, by disbursing, for the account of the Imperial Government for expenses of the Western Pacific High Commission, sums out of the colonial funds.

In 1892 arrangements were made for the repayment of the balance by an annual installment of one per cent. The amount paid on account of the public debt in 1898 was £9,290, 5s. and 1d.. The colony is at present entirely self-supporting.

A comparison of the financial system of Fiji with those of the Straits Settlements and the Federated Malay States, calls especial attention to the difference in the sources of revenue, import duties being the chief source in Fiji and export duties on tin a chief source for the Federated Malay States. In both cases it is noteworthy that the revenues to be raised by licenses are admin-

istered largely by native officials under the supervision of English officers.

Tables are appended giving the revenue and expenditure for several years, with leading items for 1897; the imports, and exports, and the debts.

FIJI.		
[ooo omitted.]		
	Revenue.	Expenditure.
1875-----	£ 16	£ 41
1893-----	77	86 <sup>1</sup>
1894-----	80	72
1895-----	78	76
1896-----	74	73
1897-----	74	73
Revenue, 1897.		
Customs -----		£ 32,994
Shipping dues -----		4,254
Licenses and internal revenue -----		7,298
Native taxes (paid in produce) -----		19,217
Fees of court -----		6,847
Postage dues and stamps -----		2,686
Expenditures, 1897.		
Charges on account of public debt -----	£	9,297
Pensions -----		873
The Governor and Legislature -----		2,515
Colonial Secretary's department -----		1,130
Government printing office -----		1,522
Audit department -----		724
Postal department -----		2,664
Provincial department -----		5,739
Treasury -----		3,760
Customs department -----		2,688
Port and marine -----		1,464
Immigration -----		7,337
Judicial and legal -----		8,693
Police -----		2,989
Armed native constabulary -----	•	1,836
Prisons -----		2,975
Medical -----		4,548
Hospital and lunatic asylum -----		2,240
Education -----		1,595
Transport -----		1,434
Miscellaneous -----		1,166
Lands, works and survey department -----		1,670
Public works -----		4,370
Total -----		£ 73,229
None brought to account.		

[ooo omitted.]		Imports.	Exports.
1896-----		£ 242	£ 435
1897-----		249	432
Imports subject to duty, 1897-----			£ 159
Free -----			90
			<hr/> 249
Public Debt.			
The public debt consists of a loan-----			£ 115,700
And advances, without interest, from the Imperial Gov't....			97,556
Total -----			<hr/> £ 213,256

## BRITISH NEW GUINEA.

Owing to its situation near Australia, the public men of that colony had advocated the annexation by Great Britain of as large a portion of the island of New Guinea as possible for some time before the British government was willing to undertake the task. In the meantime, part of the country had been taken possession of by Germany and part by Holland. The French government had established in the neighborhood penal settlements in New Caledonia, so that the advisability of controlling the unoccupied portions of this island became more apparent. In 1883 the government of Queensland annexed the southeastern part of New Guinea, but the annexation was not ratified by the imperial government. At length, however, the Australasian colonies agreeing to guarantee fifteen thousand pounds a year to meet the cost, a protectorate was established in 1884 over the present territory. Later, in 1887, the colonies of Queensland, New South Wales and Victoria undertook to guarantee in equal shares for ten years, fifteen thousand pounds for defraying the cost of administration, with the understanding that English sovereignty would be proclaimed. Queensland became responsible for the payment of the guaranteed sum. The imperial government during the last ten years has contributed

Totals 1896-7, £10,663; 1897-8, £10,286.

EXPENDITURES OF BRITISH NEW GUINEA.<sup>1</sup>

Head of Expenditure.	1888-89	1889-90	1890-91	1891-92	1892-93	1893-94	1894-95	1895-96
Civil list of salaries . . .	£ 2,633	£ 3,300	£ 3,290	£ 3,300	£ 3,300	£ 3,300	£ 3,248	£ 3,186
Other salaries . . . . .	1,796	2,381	3,476	3,559	3,707	3,479	3,640	3,779
Vessels and boats . . . .	2,747	2,564	2,938	2,993	1,600	1,308	2,114	1,587
Allowances . . . . .	1,296	2,548	1,500	1,356	1,748	1,454	1,614	1,388
Buildings and works . . .	185	1,144	979	780	872	435	397	661
Agriculture . . . . .	2	137	355	335	146	203	145	142
Mail service . . . . .	445	..	..	..	450	750	900	900
Miscellaneous . . . . .	1,662	2,898	2,459	2,675	3,174	4,071	2,942	3,357
Total . . . . .	10,769	14,975	15,000	15,000	15,000	15,000	15,000	15,000

	Imports.	Exports.	Shipping. Tons.
1888-89.....	£ 11,108	£ 5,943	-----
1889-90.....	16,104	6,455	-----
1890-91.....	15,530	8,134	-----
1891-92.....	23,756	11,289	5,669
1892-93.....	25,197	14,966	4,405
1893-94.....	28,500	14,952	6,663
1894-95.....	28,367	16,215	12,687
1895-96.....	34,521	19,401	28,704
1896-97.....	51,392	44,345	28,824
1897-98.....	46,971	49,859	26,551

## MAURITIUS.

Without entering into details regarding the revenue system of Mauritius, it will serve to call attention to one or two items of special interest from the fiscal point of view.

In 1890 the system of levying a surcharge—of 10%—on the principal items of customs revenue was adopted. In 1895 this provisional duty was made permanent, and customs duties on several important articles were increased or decreased.

In 1892 a loan of £600,000 was raised to meet the wants and necessities created by a hurricane, and to provide for certain needed public works. The home

<sup>1</sup> Table taken from Annual Colonial Report for 1895-96 on British New Guinea, page 46.

government was requested to guarantee this loan and did so.

In 1897 the military contribution was fixed at  $5\frac{1}{2}\%$  of the annual revenue.

An annual subsidy of 60,000 rupees has been paid to the Messageries Maritimes Co. Also one of £7,000 is paid to the Eastern and South African Telegraph Co., (limited), towards the expense of the cable from Mari-tius to Seychelles, and Seychelles to Zanzibar.

#### CEYLON.

Ceylon, lying off the southern extremity of Hindustan, contains a little more territory than Holland and Belgium together,—something over 25,333 square miles. The population in 1897 was estimated at 3,391,443. Of this number 6,545 were Europeans and 23,663 Burghers or European descendants. The largest part of the inhabitants consists of the Sinhalese,—2,174,200, and the Tamils, including the South India immigrants,—960,745. The climate is healthy for the tropics, and the island, on the whole, productive. While it had earlier been visited by Europeans, the first settlements were made in 1505 by the Portuguese. Later their settlements were conquered by the Dutch, and in 1795–96, the English took possession. In 1801 Ceylon was made a separate colony, and since 1815 the Island has been completely under the control of the English.

*Government.*—In 1831 a Council of Government was appointed, and in March, 1833, the government substantially as now existing was established. The government consists of a governor with an executive council of five, consisting of the lieutenant governor and colonial secretary, the officer commanding the troops, the attorney general, the auditor general and the treasurer. There is

also a legislative council of seventeen members, consisting of the five members of the executive council, four other official members, together with eight nominated unofficial members who represent different classes and races in the community.

For administrative purposes the Island is divided into nine provinces. For each of these is a government agent who, with his assistants and subordinate head men, acts as means of communication between the government and the natives.

There are three independent municipal governments—Colombo, Kandy and Galle. Besides these, there are fourteen local Boards of Health and Improvement, the main purpose of which is to keep a supervision of sanitary arrangements.

*Revenue.*—The revenue is principally derived from customs duties, excise and other internal revenue, and from the government railways, although considerable sums come from port, harbor and lighthouse duties, court fees, telegraphs, rent and sale of government property. The largest amount of the customs duties is received from those on grain, the total amount in 1896 being 2,464,438 rupees. The rates levied on some of the leading articles are one rupee per hundred weight on wheat flour; thirteen cents per bushel on paddy and barley imported for brewing; twenty-nine cents per hundred weight on rice, wheat, peas, beans and other grain, except those mentioned above. Next in importance to grain are spirits and cordials, which pay a duty of five rupees per imperial gallon of all spirits under proof, with an increase of fifty cents for every ten degrees over proof. Sugar, refined, and candy pay three rupees per hundred weight; cotton goods of various grades pay, generally speaking, about five per cent. The im-

port duties on some 130 articles, grouped under some twelve or fifteen heads, are still levied, though the list of exemptions is a long one.

There is an urgent demand for a revision of the revenue system in many particulars. Owing to a lively agitation against taxes on the food supply, coupled with much suffering on the part of the poor, the paddy rents—an old system of internal taxation derived from the ancient Kandyan rulers—were abolished. Inconsistently enough, however, the corresponding customs duty on paddy was not abolished, so that now there remains a high protective duty, with the necessity still remaining of a large import of rice to prevent actual suffering. In 1897, 8,723,750 bushels were imported, while some 6,000,000 bushels only were grown in the island free from tax. The burden of the tax falls heavily upon many of the poorer classes. The customs taxes seem, too, in many cases to be levied on the raw material, while the finished product is admitted free. The old import duty of 25 cents per pound on tea, about 50 per cent. ad valorem, still remains, although Ceylon has become one of the great exporting countries and raises a large sum from levies on exports of tea.

Export duties are levied also on plumbago, hides and horns, elephants, chanks and cinchona, the largest income being derived from the exportation of plumbago,—90,266 rupees,—the rate being twenty-five cents per hundred weight. A royalty of two hundred rupees per head is levied upon elephants exported, but none can be shipped without a permit from the district in which they have been captured. In accordance with an ordinance of 1892, an export duty of twenty cents was levied on every one hundred pounds of tea to provide revenue for the expenses of the Ceylon exhibit at the

Chicago Exposition. In 1894 this was continued, the proceeds to go into a fund to increase the use of Ceylon tea in foreign lands. The most important excises as a source of revenue are those on arrack, rum and toddy, amounting in 1896 to 2,487,770 rupees, the rate being 100 rupees for general sale.

A large revenue is derived, also, from salt,—999,801 rupees in 1896. Salt is a government monopoly. The cost is about forty cents per hundred weight, and it is sold to the dealers at about 2.36 rupees per hundred weight, or two and a fourth cents per pound, the difference being the profit from the revenue monopoly. When salt can be spared for export, it is sold from the government stores at from  $4\frac{1}{4}$  to  $5\frac{1}{4}$  rupees per ton.

Nearly one million rupees—939,894 in 1896—are derived from the port, harbor, wharf and lighthouse dues. There are special tonnage dues at each leading port, ranging from  $2\frac{1}{2}$  rupees for smaller vessels up to 120 rupees for larger ones. Additional dues are also payable upon cargo discharged or loaded, together with warehouse charges for goods which remain in store.

The crown lands in Ceylon furnish a considerable item in the revenues, both from royalties on timber cut on a permit in crown forests, and from the sale of crown lands. In 1896, timber and fire wood cut on crown lands brought a revenue of 462,546 rupees, while from the sale of lands 443,089 rupees were realized. From 1833 up to the end of 1896, 1,471,272 acres had been sold, realizing £2,585,651. Probably two-thirds or more than nine hundred thousand acres have been purchased by Europeans for coffee, tea and other plantations, while in all probability the natives hold nearly three times this amount, a large part of these lands being held by title more or less good, obtained previous to

1833. In spite of these large sales of land and the amounts alienated earlier, large tracts, especially of pasture lands, still belong to the government and are made use of by the natives. The average prices received have usually been low, but some lands have sold at nearly £25 per acre. These high prices, of course, can be offset against the low prices of from five shillings to a pound in the earlier days.

The largest single item of revenue is that from the railways, all of which are owned by the government, the income in 1897 being 7,326,916 rupees. In 1897, the Ceylon government owned 297  $\frac{1}{8}$  miles of railroad track, not including some 31 miles more of sidings, all of 5  $\frac{1}{2}$  feet gauge. The original cost of these roads was 52,996,780 rupees, an average of 173,595 per mile. The average speed of trains on these roads is some 21 miles per hour. Against the large income of more than Rs. 7,000,000 in 1897 as given above should be offset, of course, the working expenses of the lines, etc., amounting to Rs. 3,428,899, leaving a profit on the whole of Rs. 3,898,017. The cost of the different lines of road, with the expenses of management, vary of course materially, but all of the lines yield a large net revenue.

The following brief paragraph gives the leading statistics regarding the railroads from 1890 to '96 inclusive :

Year.	Receipts Million Rupees.	Work- ing Ex- penses. Million Rupees.	Percent. of Receipts.	Million Passen- gers.	Thou- sand Tons of Goods.	Miles of Line Open (aver- age).	Profit. Million Rupees.	Percent- age of Profits to Total Original Capital.
1890--	3.9	1.7	44.6	2.7	229	188 $\frac{3}{4}$	2.1	5.70
1891--	4.4	1.9	44.06	3.1	281	191 $\frac{1}{2}$	2.5	6.60
1892--	4.7	2.3	48.71	3.5	267	191 $\frac{1}{2}$	2.4	6.41
1893--	5.0	2.5	50.00	3.7	294	231 $\frac{3}{4}$	2.5	5.36
1894--	5.6	3.0	53.2	4.2	314	270 $\frac{1}{2}$	2.6	5.39
1895--	6.2	2.9	46.73	4.8	412	271 $\frac{1}{2}$	3.3	6.29
1896--	6.8	3.0	43.87	5.7	421	297 $\frac{1}{8}$	3.8	7.18
1897--	7.3	3.4					3.9	

*Expenditures.*—The principal items of expenditures are the establishments, contributions toward military expenditures, pensions, interest on loans and public works.

Besides the amount expended in building and improving the railways, the Public Works Department has expended in the different provinces large sums of money in building and improving hospitals and dispensaries, in roads and bridges, in maintaining canals, irrigation works and public buildings. Of special importance are the breakwaters, protecting the harbor at the city of Colombo and the water works system of the same city. Of metalled roads there were in 1896, 2,333 miles; of gravelled and natural roads, 673 and 487 miles, giving a total of 3,493 miles, on which there was a total expenditure during that year of 1,239,800 rupees. There was also in 1895 165 miles of canals. The roads mentioned are exclusive of roads within municipal limits and of those which are not in the charge of the Department of Public Works. Every male between the ages of eighteen and sixty-five is bound to perform six days' labor in the year on the roads or to contribute a rupee and a half by way of commutation. The total amount expended on irrigation works from 1867 up to and including 1896 was 8,060,030 rupees.

The brief table on the following page gives a general oversight of the financial situation in the colonies for the years 1890-97 inclusive.

The total customs revenue in 1897 was Rs. 5,973,785, being 6 per cent. of the imports.

*Military Expenditure.*—In the earlier years of the century when Ceylon was governed as a military settlement, the expenses to the imperial treasury for defense were considerable. There has been a number of

changes made in the military contribution for the colony within the last few years. In 1885 the payment of 600,000 rupees per annum was agreed upon, which

Year.	Finances.		Shipping Entered.	Imports.		Exports.	
	Revenue Million Rs.	Expendi- ture Million Rs.	Million Tons.	From U. K. Million Rs.	Total Million Rs.	To U. K. Million Rs.	Total Million Rs.
1890 ----	16,2	15,3	5,1	18,5	63,1	33,2	51,1
1891 ----	18,0	16,4	5,7	19,3	66,6	41,5	58,8
1892 ----	18,5	17,8	5,8	17,9	70,7	40,0	62,3
1893 ----	18,1	18,3	6,2	18,9	72,3	48,2	69,0
1894 ----	19,5	20,3	6,4	19,2	78,1	53,6	72,0
1895 ----	21,0	21,5	6,5	20,2	84,6	57,5	77,5
1896 ----	22,0	21,2	7,1	21,3	87,8	55,5	78,0
1897 ----	24,0	21,6	6,7	26,0	98,0	51,3	77,7

lasted until 1890 when there was a slight increase. It was stipulated that the colony in return for this military contribution of 600,000 rupees was to have a force of four hundred regular soldiers, the number estimated as required for colonial purposes in distinction from imperial requirements. The cash cost of four hundred was somewhat less than 516,000 rupees. The imperial government has always maintained more than four hundred soldiers in Ceylon, but of some of the cities, especially Trincomalee, the defence is considered to be an imperial one, and the expense has been carried entirely by the imperial government. In 1891 it was agreed by the Secretary of State for the Colonies that the colony should contribute £70,000 and that this contribution should increase by £10,000 each year until £100,000 were reached in 1894, and that it would then continue at that sum, unless a revision were made in 1895. Since 1895, however, the contribution has been arranged differently, being fixed at  $\frac{3}{40}$  of the gross revenues, exclusive of

the land sales, about  $7\frac{1}{2}$  per cent. of the revenue of the colony, while 25,000 rupees more are allowed for the the refund of customs duties on articles imported for the use of the troops. In 1897 and '98, a still further ordinance was passed making the contribution  $9\frac{1}{2}$  per cent. of the revenue less land sales and railway charges, but never to exceed three-quarters of the total cost of the garrison estimated at 151,250 rupees. There are also certain minor ordinances, but this gives substantially the cost of the contribution.

*Local Finances.*—Apart from the general revenue collections, local taxation is confined to the receipts of three municipalities, fourteen minor towns organized under local boards for sanitary purposes, sixty-four village councils in different districts, to the road ordinance contribution collected by the different provincial and different road committees throughout the country, to minor irrigation and market collections, to special assessments on minor towns, for police purposes, and on planters for grant-in-aid roads and cooly medical aid. The cooly medical aid is now chiefly raised from the customs. The amounts of local revenues raised in 1896, including balances, are about as follows :

Road committees.....	Rs. 1,018,722
Municipal councils.....	974,523
Local boards .....	165,865
Village councils (gansabhawas) .....	72,162
Irrigation, etc .....	17,148
Markets.....	4,052
Total .....	2,252,472

The Governor is empowered to create committees, the members of which are to be partly nominated and partly elected, to provide for sanitation and the general welfare of towns and villages, which may be brought under the general law. Members elect-

ed to such boards receive no salary for their services. The accounts of such boards are audited by the auditor general. Their special funds consist of fines, stamp duties, licenses, taxes, fees, rents, markets slaughter houses, etc., while the government may contribute any portion of the cost of any especial work in any town that is estimated at more than one hundred rupees. There is also an assessment tax on houses within towns, the rate of which has varied considerably. At present, the maximum rate is five per cent. of the annual value, that being understood to be the gross value without any reduction for expenses, repairs, etc. In one of the municipalities, Colombo, a consolidated rate of eleven per cent. is levied for police, lighting and water, instead of the rates being levied separately as in the other municipalities. The local boards are also authorized by an ordinance of 1890 to borrow money for carrying out any water works of a permanent character, offering as security the taxes and rates. If we take the municipality of Colombo as typical, we may note that licenses are issued for the ownership of guns, the selling of intoxicating liquors, the selling of opium, of petroleum, to auctioneers, to butchers, etc., a very prominent source of revenue being commutation for labor under a road ordinance, while a tax on vehicles and animals brings in also considerable revenue. The list of expenditures calls attention to the fact that besides those for salaries and the ordinary expenditures for offices and keeping of the municipal buildings, the city itself supports and lights the markets, slaughter houses, and toll houses; builds and repairs the roads, bridges, culverts, parks, a lake and canal, and cemeteries; supports a fire brigade, keeps carts for its own scavenging, etc., the municipal government thus undertaking certain

lines of works that in other places are left to private initiative.

The Budget for 1898, by main headings, will serve sufficiently for illustration :

#### REVENUE.

Commutation under road ordinance .....	Rs. 63,000
Tax on vehicles and animals .....	20,000
Dog tax .....	3,000
Licenses .....	74,329
Judicial fines .....	18,075
Tolls .....	114,770
Markets .....	30,906
Slaughter houses .....	33,422
Health department .....	97,128
Miscellaneous .....	46,775
<b>Total .....</b>	<b>501,405</b>

#### EXPENDITURE.

Establishments (salaries and contingencies)....	Rs. 68,973
Commutation under road ordinance .....	5,100
Licenses and taxes .....	2,725
Markets .....	14,120
Slaughter houses .....	10,398
Toll houses and other buildings .....	2,347
Roads, bridges and culverts .....	127,627
Drains .....	22,578
Lake and canals .....	8,300
Parks .....	10,426
Cemeteries .....	7,633
Fire brigade .....	2,613
Health department .....	116,796
Sanitary account .....	2,500
Scavenging .....	34,000
Latrines .....	3,362
Printing department .....	2,884
Miscellaneous account .....	35,304
Victoria bridge account .....	8,000
Refund of loan and interest .....	12,000
<b>Total .....</b>	<b>497,666</b>

*Debt.*—The total amount of the outstanding debt of Ceylon, on Dec. 31, 1896, according to the Blue

Book of that year, was £3,519,503. In addition there had been made local loans of £3,290,595. These various debts were mostly due to various inscribed stock and debenture holders. The latter loans pay an interest of three per cent., some of the earlier of four, and in one instance of four and a half per cent. One debt of £250,000, of which nearly £100,000 has been repaid, was raised from the public works loan commissioners in England, and pays three and one-half per cent. The loans have been mainly made for the improvement of Colombo harbor and for the building of railways, although one loan of £331,000 was made for the construction of the Colombo water works, and another loan was partly used for other public works. Two loans amounting to \$365,000 were for the construction and improvement of certain irrigation works.

All of these loans, local as well as general, have been made a charge on the general revenue.

*Results.*—It will be noted that the general principles followed in determining the fiscal system of Ceylon differ materially from those of the Straits Settlements and Hong Kong, owing to the different situation. The development of those two colonies depends upon the development of their trade, and in consequence, revenues have been raised entirely by internal taxes, no duties whatever being levied on imports, excepting that on opium in the Straits Settlement, as a police regulation, and one on spirits and opium in the Federated Malay States for similar reasons. In Ceylon, however, where the prosperity of the colony depends upon the development of its internal resources, an entirely different plan has been followed as in some of the minor colonies mentioned before. A large percentage of the revenue is derived from import duties which, while they are

mostly levied with reference to the production of revenue, have nevertheless apparently in one or two cases something of a protective idea, although this is perhaps due chiefly to the delay in changing taxes to meet new conditions rather than from premeditated purpose. In both cases an effort has been made to retain to a considerable extent the taxes to which the natives were accustomed, even though they seemed at times to bring hardship upon the community. This has been especially true in Ceylon of the grain taxes and the paddy tax before its abolition in 1893.

Export taxes, which are so entirely contrary to the principles of the United States, are found in many of the colonies,—in fact, wherever the colony has a distinct advantage over the rest of the world in its productions. A noteworthy instance of this kind, however, is found in the export tax on tea in Ceylon, the receipts from which are used for the extension of the Ceylon tea market, and can hardly, therefore, be considered properly a part of the budget of the colony.

#### GENERAL CONCLUSIONS REGARDING THE BRITISH COLONIAL FISCAL SYSTEM.

This brief study of the colonies of England in the Far East leads to the following conclusions: Great Britain makes her dependencies, even though they are small and not yet completely developed, self-supporting. In certain instances, the home government grants favors in the way of loans, as for example, those to Fiji, but these loans are made with the expectation that they will be paid off. In one case, Mauritius, of which no full account has been given here, the home government has guaranteed a loan, raised to meet an emergency caused by a hurricane.

The mother country expects the colonies to pay also a military contribution, which shall cover the expense due to protection of the interests of the colony itself. Wherever ports are fortified with reference to the interests of the British Empire as a whole, the mother country bears the expense. No further favors are granted to the colony by the mother country beyond the keeping of order and the protection against other countries.

On the other hand, the mother country asks no favors from the colonies. No discriminating tariffs are levied as against the rivals of England, but the supremacy of England in the colonial markets is due entirely to the association natural with the mother country, and to the fact that England can supply goods to better advantage. Wherever this is not the case, other countries may take the markets on equal terms. The only apparent exception to this principle among the British colonies is one, in Canada, not dwelt upon in this report where a reduction of twenty-five per cent. in the regular tariff rates is made upon imports from the mother country. Even this, however, may fairly be considered as of the nature of a reciprocity arrangement, inasmuch as other countries do not admit Canadian exports on the same liberal terms as does the mother country.

The mother country holds generally the final power of determining what the system in each colony is to be; but except in cases of emergency the colony is generally allowed, through its officers, a majority of whom in the smaller colonies are appointed by the home government, to determine its own system.

In every case the system is one adapted to local needs and conditions and no attempt is made to keep uniform the systems in the different colonies.

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